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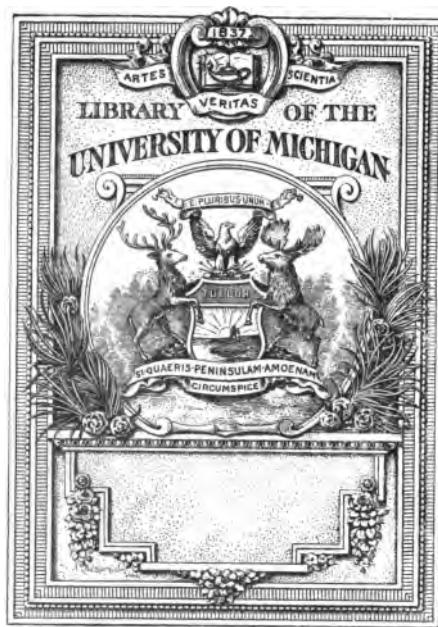
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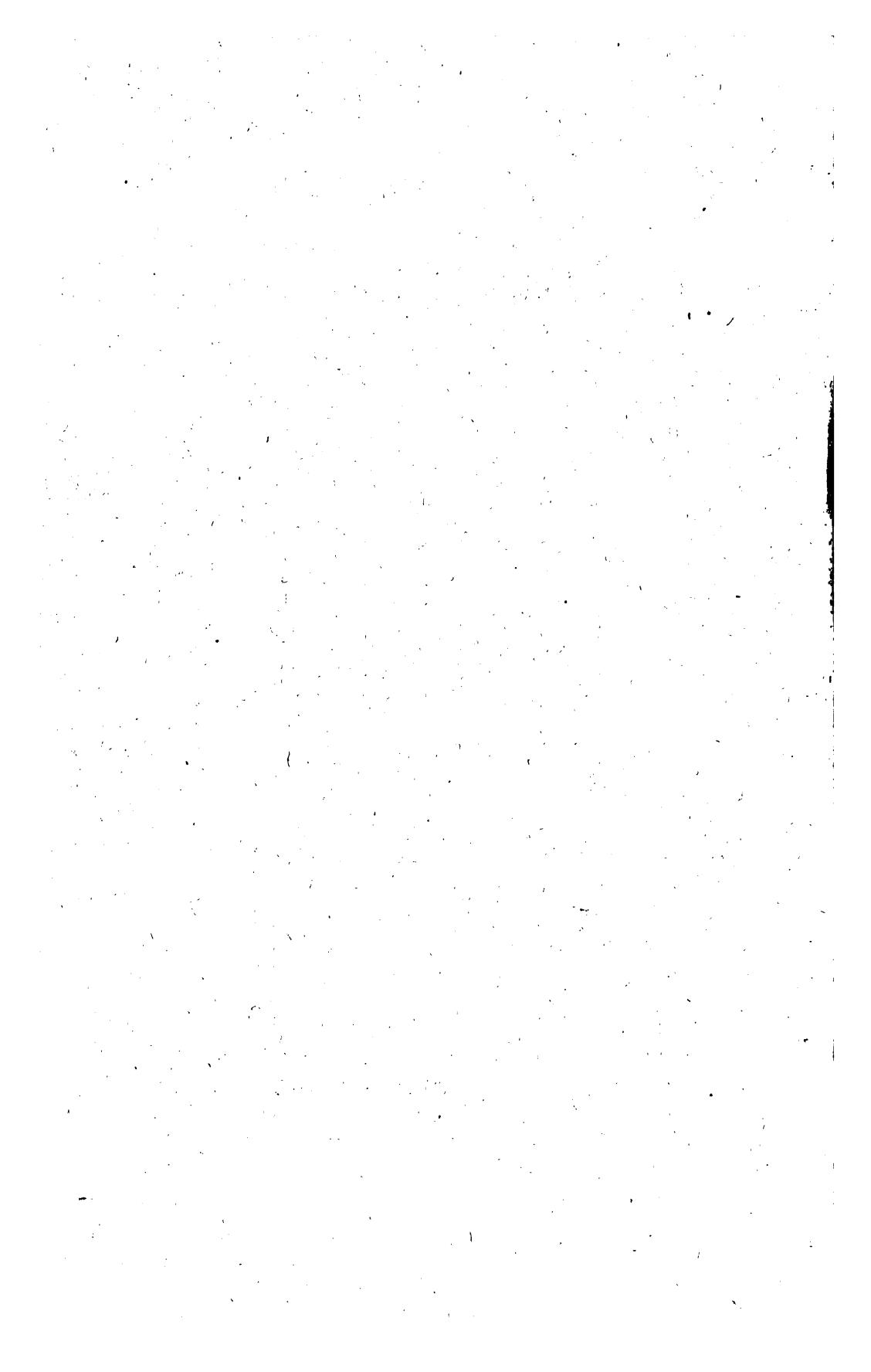
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DEPARTMENT OF THE INTERIOR.

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OIL LANDS IN INDIAN TERRITORY AND  
TERRITORY OF OKLAHOMA.

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HEARINGS

BEFORE THE

SECRETARY OF THE INTERIOR

ON

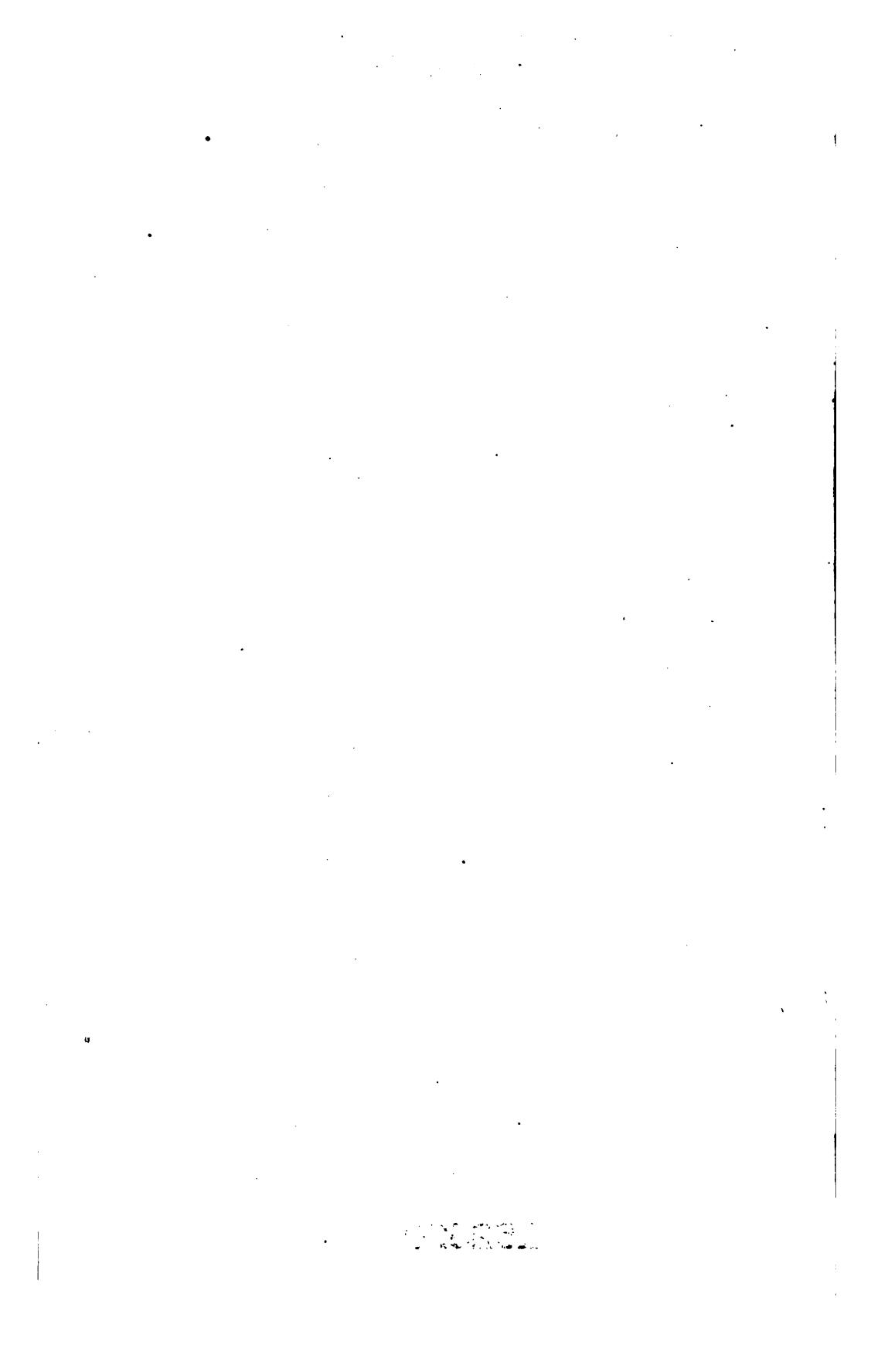
LEASING OF OIL LANDS AND NATURAL-GAS  
WELLS IN INDIAN TERRITORY AND  
TERRITORY OF OKLAHOMA.

---

MAY 8, 24, 25, AND 29, AND  
JUNE 7 AND 19, 1906.

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WASHINGTON:  
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1906.



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## LEASING OF OIL LANDS IN INDIAN TERRITORY AND TERRITORY OF OKLAHOMA.

Personal.]

STATE OF NEW YORK, EXECUTIVE CHAMBER,

*Albany, May 10, 1906.*

MY DEAR MR. PRESIDENT: While talking with you in relation to the oil producers in Oklahoma and Indian Territory on Saturday evening you suggested that I write you on the subject on account of the limited time which we had for a discussion of the matter.

Permit me to state first that I have no personal investments in oil or gas properties in Oklahoma or Indian Territory. I nevertheless am familiar with the subject of the development of the oil-producing sections of our country, as I have spent nearly all my life in the oil belt.

Oil production, like every form of mining, necessarily involves large elements of risk. If it did not it could be handled on the same basis that most other legitimate undertakings are handled. It is not necessary for me to state that we are all interested in the largest development possible of the natural resources of our country. This can only be done by pursuing a liberal policy with the oil producer.

I understand that my friend, Mr. Theodore N. Barnsdall, of Pittsburgh, Pa., has been one of the principal developers of the oil and gas sections of the southwest. He organized the Kansas Natural Gas Company, which is now supplying about 350,000 people with gas at prices ranging from 25 to 30 cents per thousand. In the places where artificial gas was used it was sold at from \$1 to \$1.25 per thousand previous to the building of Mr. Barnsdall's line. The lower price enables the masses of the people, both rich and poor alike, to avail themselves of this luxury—and it certainly is a luxury, as I know from twenty-five years experience.

The leases from which this gas is taken come down to the lines of Kansas and the Cherokee, and the average rental for gas wells paid to the landowners is about \$125 per year. The company has large wells within one quarter of a mile of the Cherokee lines.

The Union Natural Gas Company has over 200,000 acres of land in Ohio, West Virginia, and Pennsylvania, and pays an average annual rental of \$100 per year.

Mr. Barnsdall desires to build a line to St. Louis, Mo., to supply at least 150,000 consumers. Artificial gas there now costs 80 cents, containing only about 60 per cent of the heat units of natural gas.

Of course you will readily understand that gas lines can not be financed for a city as large as St. Louis unless the company absolutely owns or controls from 150,000 to 200,000 acres of gas rights.

The Secretary of the Interior has asked that 2½ per cent of the gas receipts be given to the Indians and that a meter be put on every well. A reliable meter for a good gas well will cost \$1,500. This

therefore seems impracticable, and is nowhere else required in the gas business.

I certainly have no desire to have the Indians deprived of any rights which belong to them, and have no doubt but that Secretary Hitchcock is acting in a manner which he believes to be wise. But his rulings, I fear, are governed more by prejudice against individuals than by practical knowledge of the subject in hand.

Mr. Barnsdall tells me that he accepted a transfer of 5,500 acres of Cherokee leases from J. M. Guffy, on advice of his attorneys that they were all right, and he believes that no one has been injured by his so doing. Mr. Guffy informed Mr. Barnsdall that he would get the consent of Secretary Hitchcock when the property was bought, but this he never did, and the Secretary is very much put out about it. But I believe that Mr. Barnsdall has acted in good faith in the matter.

I fully realize that you can not personally consider the many suggestions made in this communication, and I would communicate directly with the Secretary of the Interior if I were personally acquainted with him.

But believing, as I do, that great injustice is being done to Mr. Barnsdall and thousands of our people who might avail themselves of the benefits of cheap fuel and light if a more liberal policy were pursued, to wit, permission to combine a large acreage of gas leases at a fixed price per well, not exceeding \$150, which is above the average of New York, Pennsylvania, and Ohio, and a like basis for the production of oil, setting apart a percentage of the amount produced, the same as is done in all eastern producing sections, I am of the opinion that this is the only policy that can be pursued which will result in the greatest good to the greatest number.

With most sincere regard, I am, yours, faithfully,

FRANK W. HIGGINS.

Hon. THEODORE ROOSEVELT,  
*President of the United States, Washington, D. C.*

—

MAY 12, 1906.

MY DEAR MR. PRESIDENT: Complying with your request that I make reply to the personal letter addressed to you by Governor Higgins, of New York, dated Albany, May 10, I beg to submit as follows: At the outset, however, I desire to take respectful exception to the following paragraph which I find in that letter:

I certainly have no desire to have the Indians deprived of any rights which belong to them, and have no doubt but that Secretary Hitchcock is acting in a manner which he believes to be wise. But his rulings, I fear, are governed more by prejudice against individuals than by practical knowledge of the subject in hand.

Had Governor Higgins favored me with an inquiry he would have been promptly informed of facts which would have caused him to hesitate before intimating that personal prejudice influenced my intercourse with his political friend, Mr. Barnsdall, who has willfully forfeited, by his deliberate and admitted violation of certain oil and gas contracts, the consideration to which he would otherwise be entitled.

The following statement may possibly be of service to Governor Higgins:

On April 8, 1896, during the administration of the Hon. Hoke Smith, then Secretary of the Interior, a contract or lease was granted to Edwin B. Foster and associates for the mining and production of petroleum and natural gas only, covering the entire territory known as the Osage Nation, in Oklahoma, and amounting to 1,500,000 acres, and was approved by Assistant Secretary John M. Reynolds, the conditions being the payment of one-tenth of all the oil produced and \$50 for each gas well opened and operated.

In February, 1898, owing to reports that the lessees were not living up to the terms and conditions of the lease, Edwin B. Foster was called upon to show cause on or before March 15, 1898, why his lease should not be declared forfeited in accordance with its provisions.

After investigation by the Department the lease was canceled November 11, 1898, but in May, 1899, further careful legal investigation showed that the lessees should be reinstated and be permitted to resume operations. Later, namely, in January, 1903, after varying vicissitudes, the lease became the property of the Indian Territory Illuminating Oil Company by virtue of certain assignments which were found upon investigation to be legal, and was therefore approved by the Department, it being at present currently reported that a large proportion if not the majority of the stock of the latter company has been acquired by the Standard Oil Company, with whom, it is further stated, Mr. Barnsdall is in exceedingly close relations.

Strenuous efforts were made at the close of the Fifty-eighth Congress to have this lease extended for another period of ten years, and the same was resisted by this Department, the result being that the original area granted under the administration of the Hon. Hoke Smith was reduced to 680,000 acres and the royalty increased to 12½ per cent instead of, as formerly, 10 per cent, it being further stipulated that the assignment of all subleases "heretofore or hereafter to be made be subject to the approval of the Secretary of the Interior."

Under the original lease, both Mr. Barnsdall and Messrs. Guffey and Galy obtained a very large acreage, which they have since endeavored to largely increase; the former, if current reports are to be believed, by indirect methods which it is not necessary to detail, but certainly can not be approved.

As early as 1890 oil and gas were discovered in the Bartlesville district of the Cherokee Nation, when applications for, and later forms of, leases were prepared governing the mining of oil and gas in this territory, the following specific conditions being included in the leases, namely:

1. That the acreage leased to any one person or corporation should not exceed 4,800 acres, the purpose of this restriction being directly to prevent combinations looking toward monopolies.

2. The Department requires that each lease shall be supported by a cash deposit of not less than \$5,000 as a guaranty that the lessee would operate the said leases in good faith and not hold the same for speculation.

3. That at least one well shall be developed on each lease within twelve months, with a further object of preventing speculation and the tying up of the lessor's property.

It is further stipulated and printed in large type at the beginning of each lease that this lease is "transferable only with the consent of

the Secretary of the Interior," while the body of the lease contains the following:

And it is mutually understood and agreed that no sublease, assignment, or transfer of this lease, or of any entries therein or thereunder, can be directly or indirectly made without the written consent thereof of the lessor and of the Secretary of the Interior first obtained, and that such assignment or transfer made or attempted without such consent shall be void.

The regulations of the Department require that with each oil and gas lease filed with the Indian agent for the approval of the Department there shall be submitted an affidavit of the applicant in part as follows:

I also swear that I am not directly or indirectly interested in any oil and gas lease for any of the lands within the territory occupied by the Creek and Cherokee nations in the Indian Territory, or application for such lease, the lands embraced in which, with the tract covered by the lease herewith presented, would make more than 4,800 acres.

Under the applications made and leases granted Mr. Barnsdall received about 4,700 and Messrs. Guffey and Galy nearly 3,000 acres, respectively, entering into a contract in all respects with the lessor and this Department, as provided in the accompanying form of application and contract, marked Exhibits "A" and "B."

The extent to which they have complied with, or rather have willfully violated, these applications and leases is set forth in the accompanying copy of the report of the inspector for the Indian Territory, J. George Wright, to the details of which I beg to call Governor Higgins's special attention, marked "Exhibit C."

The transaction between Mr. Barnsdall and Messrs. Guffey and Galy is a direct, willful, and unlawful violation of the above-named conditions of the contract, inasmuch as neither Mr. Barnsdall nor Mr. Guffey have requested of the Secretary of the Interior or lessor any such transfer of the 5,500 acres of the Cherokee lease which were transferred by the latter to the former, together with other leases in the Osage Nation, for a consideration of \$1,250,000, while Mr. Barnsdall has admitted having made conditional arrangements with certain parties (whose identity he declines to make known), by which he has expected to utilize these leases in financing his further intended speculative and monopolistic operations to the extent of \$8,000,000.

With respect to the matter specially referred to by Governor Higgins, namely, the desire of his friend, Mr. Barnsdall, to acquire sufficient gas territory in the Osage, Cherokee, and Creek nations to enable him to furnish natural gas for illuminating purposes in the city of St. Louis and elsewhere, I entirely agree with the governor in his argument with respect to the advisability of granting such rights in the form of leases to the extent asked for, but wholly differ with him with respect to the terms and conditions upon which such privileges should be granted, basing my objections, as I do, upon a very much more "practical knowledge" of the details of the situation, which are, in part, as follows:

Some time since Mr. Barnsdall applied to me for the privilege of acquiring such number of gas wells as would enable him to furnish natural gas to the city of St. Louis, Mo., and also Muscogee, Ind. T., when he was promptly informed that such privilege would be granted, but only upon such terms and conditions as would be fair to the Indians, the right to use natural gas being confined, under the existing contracts or leases, to "use on the premises as fuel, so far as it is necessary to the prosecution of said operations."

It so happened that just about the time of Mr. Barnsdall's application to me, Mr. Fite, then mayor of Muscogee, informed me that that city was willing to contract with Mr. Barnsdall for the introduction of natural gas into Muscogee on the basis of 35 cents per thousand feet for natural gas for domestic use and 17½ cents per thousand feet for municipal use, and I so informed Mr. Barnsdall. My understanding from both Mr. Barnsdall and Mayor Fite was that the nearest gas field was about 70 miles from Muscogee, while Mr. Barnsdall stated that the nearest gas field to St. Louis was about 200 miles, in each case requiring that length of pipe line to reach the respective cities.

It was about this time that I made the offer to Mr. Barnsdall, which the governor correctly quotes, the same being based upon the business proposition that to pay the Indian lessor \$150 a year for a gas well, as provided in the latest form of contract, and then to sell that gas to third parties, whether an individual or municipality, on the basis of 35 cents per thousand feet or even the half of that, would result in an income to the holder of such franchise of \$35 or \$17.50 per day in the other case, which for 300 working days would amount to \$10,500 or \$5,250, respectively, on an investment of \$150, plus the cost of the pipe line and operating expenses, which, including a \$1,500 meter on each well, would leave a most extraordinary margin of profit.

What has been done in other States has, in my judgment, no bearing whatever with respect to what *should* be done with the application under consideration. It is known that there are wells in the Territory that are emitting millions of feet of gas per day, and it is quite time that this valuable asset of the Indians should be handled on business principles, and without any reference whatever to political considerations.

In conversation with me Mr. Barnsdall dwelt strenuously upon the cost of a pipe line, as also of a meter for each well, as he evidently did also in conferring with Governor Higgins, but he omits or forgot to state that meters could be transferred from one well to another as each became exhausted, and also that a pipe line once laid would serve as a conduit for the gas from any number of wells, while the wells themselves in the Territory referred to promise an almost inexhaustible supply of gas. The output of the well heretofore referred to in this letter represents what I understand to be a minimum well, but there are wells now in operation in the Territory which are certified to produce millions of feet daily.

Just one thing more. By the bill passed at the last session of the Fifty-eighth Congress the President was authorized to increase the royalty upon oil produced in the Osage Nation from 10 per cent to 12½ per cent, or an increase of 25 per cent over the royalty provided in the Foster lease and contract, while my offer to Mr. Barnsdall was just one-fifth of that amount, namely, 2½ per cent on the output of such gas wells as he might control without limit as to number, the possibilities in the case of the sale of gas being far more favorable, with respect to results, than can be expected from the sale of oil in the Territory, which is being practically strangled by conditions against which the whole country, just at this moment, is in rebellion.

Governor Higgins states "that Mr. Barnsdall desires to build a line to St. Louis, Mo., to supply at least 150,000 consumers. Artificial gas there now costs 80 cents, containing only about 60 per cent of the heat units of natural gas."

From this I gather that Mr. Barnsdall is willing to furnish this gas to 150,000 consumers in St. Louis at or about the same rate at which he is supplying the 350,000 people with gas from his Kansas Natural Gas Company, at prices ranging from 25 to 30 cents per thousand, and taking the average price offered him by the then mayor of Muskogee, and figures at which he is supplying gas from his Kansas Natural Gas Company, at an average of 25 cents per thousand, a charge or royalty of  $2\frac{1}{2}$  per cent on this average figure strikes him as being excessive, whereas this  $2\frac{1}{2}$  per cent on the price that he has offered to furnish this gas to these cities, respectively, amounts, on a charge of 25 cents per thousand for the gas, to *six hundred and twenty-five thousandths of 1 cent*, which certainly is not worth talking about, but as a St. Louisian, and on behalf of the 150,000 gas consumers in St. Louis, to which he refers, I hereby guarantee that they will cheerfully permit him to add *this fraction of a cent* to such charge of 25 or 30 cents at which, as I understand it, he is willing to supply these municipalities with gas, if he, on the other hand, *will guarantee to give them natural gas at 30 cents, or between 45 and 50 cents lower cost than they are now paying for artificial gas.*

The situation is simply this: Will it pay for the operator desiring to do so to develop the gas field in the Osage Nation and Indian Territory in such manner as to leave a fair profit on his investment after giving the owner of the gas, without which the whole operation falls to the ground, *a fair return for his vested rights*, and this I think Mr. Barnsdall's proposition utterly fails to do, and was accordingly declined.

Yours, very truly,

E. A. HITCHCOCK,  
*Secretary.*

The PRESIDENT.

#### EXHIBIT A.

##### APPLICATION FOR ..... MINING LEASE.

To the SECRETARY OF THE INTERIOR:

....., of ....., desiring to avail ..... of the provisions of section seventeen of the act of July 1, 1902 (32 Stat., 716), hereby make application to have approved the accompanying lease for the purpose of ..... embracing, in the aggregate, ..... acres of land situated in the Cherokee Nation, Indian Territory.

....., solemnly swear that the attached map shows the amount of land of each subdivision supposed to be underlaid with ....., and the quantity that can probably be mined; also that this application is not made for speculation but in good faith and with no other object than that of .....

..... also swear that .... not directly or indirectly interested in any oil and gas lease for any of the lands within the territory occupied by the Creek and Cherokee nations in the Indian Territory, or application for such lease, the lands embraced in which, with the tract .. covered by the lease.. herewith presented, would make more than 4,800 acres.

The date of execution of each lease, the approval of which is requested, together with the name of the lessor and the number of acres applied for therein, is as follows:

Lease executed ....., 190.., by ....., for ..... acres. Lease executed ....., 190.., by ....., for ..... acres. Lease executed ....., 190.., by ....., for ..... acres. Lease executed ....., 190.., by ....., for ..... acres. Lease executed ....., 190.., by ....., for ..... acres. Lease

executed ....., 190.., by ..... for ..... acres. Lease executed ....., 190.., by ..... for ..... acres. Lease executed ....., 190.., by ..... for ..... acres.

UNITED STATES OF AMERICA, INDIAN TERRITORY, } ss.  
WESTERN JUDICIAL DISTRICT.

Sworn to and subscribed before me this ..... day of ....., 190...

(My commission expires .....

DEPARTMENT OF THE INTERIOR,  
Washington, D. C., ....., 190...

-----  
Secretary.

## EXHIBIT B.

TRANSFERABLE ONLY WITH CONSENT OF THE SECRETARY OF THE INTERIOR.

### OIL AND GAS MINING LEASE UPON LAND SELECTED FOR ALLOTMENT, CHEROKEE NATION, INDIAN TERRITORY.

(Sec. 72, act of July 1, 1902, 32 Stat., 716, 726.)

This indenture of lease, made and entered into in quadruplicate, on this ..... day of ..... A. D. 190.., by and between .....  
-----  
of .....  
part.. of the first part, and .....  
-----  
-----  
of .....  
part.. of the second part, under and in pursuance of the provisions of section 72 of the act of Congress approved July 1, 1902, and the regulations prescribed by the Secretary of the Interior thereunder:

Witnesseth, That the part.. of the first part, for and in consideration of the royalties, covenants, stipulations, and conditions hereinafter contained, and hereby agreed to be paid, observed, and performed by the part.. of the second part, ..... successors and assigns, do.. hereby demise, grant, and let unto the part.. of the second part, ..... successors and assigns, for the term of ..... years from the date hereof, all of the oil deposits and natural gas in or under the following-described tract of land, lying and being within the Cherokee Indian Nation and within the Indian Territory, to wit: The .....

-----  
of section ....., township ....., range ....., of the Indian meridian, and containing ..... acres, more or less, with the right to prospect for, extract, pipe, store, refine, and remove such oil and natural gas, and to occupy and use so much only of the surface of said land as may be reasonably necessary to carry on the work of prospecting for, extracting, piping, storing, refining, and removing such oil and natural gas, including also the right to obtain from wells or other sources on said land, by means of pipe lines or otherwise, a sufficient supply of water to carry on said operations, and including still further the right to use such oil and natural gas as fuel so far as it is necessary to the prosecution of said operations.

In consideration of which the part.. of the second part hereby agree.. and bind ..... successors and assigns, to pay or cause to be paid to the lessor.., as royalty the sum of ten per cent of the value, on the leased premises, of all crude oil extracted from the said land, and if the parties do not, before the tenth day of the

\* Only those applicants who desire the approval of oil and gas leases are required to complete this paragraph.

100

month succeeding its extraction, agree upon the value of the crude oil on the leased premises, the value thereof shall finally be determined under the direction of the Secretary of the Interior in such manner as he shall prescribe, and to so pay the royalty accruing for any month on or before the twenty-fifth day of the month succeeding, and where the value of the crude oil fluctuates, the average value during the month shall constitute the criterion in computing the royalty, and to pay in yearly payments, at the end of each year, one hundred and fifty dollars royalty on each gas-producing well, the lessor.. to have free the use of gas for lighting and warming his residence on the premises. But failure on the part of the lessee.. to use a gas-producing well, where the same can not be reasonably utilized at the rate so prescribed, shall not work a forfeiture of this lease so far as the same relates to mining oil, but if the lessee desires to retain gas-producing privileges.....shall pay a royalty of fifty dollars per annum on each gas-producing well not utilized, the first payment to become due and to be made within thirty days from the date of the discovery of gas, payments thereafter for such wells to be made in advance at the first of each succeeding year, dating from the first payment.

And the part.. of the second part further agree.. and bind.....successors and assigns, to pay or cause to be paid to the lessor.., as advanced annual royalty on this lease, the sums of money as follows, to wit: Fifteen cents per acre per annum, in advance, for the first and second years; thirty cents per acre per annum, in advance, for the third and fourth years; and seventy-five cents per acre per annum, in advance, for the fifth and each succeeding year thereafter of the term for which this lease is to run; it being understood and agreed that said sums of money so paid shall be a credit on the stipulated royalties should the same exceed such sums paid as advanced royalty; and further, that should the part.. of the second part neglect or refuse to pay such advanced annual royalty for the period of sixty days after the same becomes due and payable, then this lease shall, at the option of the lessor.., be null and void, and all royalties paid in advance shall become the money and property of the lessor..

The part.. of the second part further covenant.. and agree.. to exercise diligence in the sinking of wells for oil and natural gas on the lands covered by this lease, and to drill at least one well thereon within twelve months from the date of the approval of the bond by the Secretary of the Interior, and should the part.. of the second part fail, neglect, or refuse to drill at least one well within the time stated, this lease may, in the discretion of the Secretary, be declared null and void, with due notice to the lessee and proof of the default; and said part.. of the second part agree.. to operate the same in a workmanlike manner to the fullest possible extent, unavoidable casualties excepted; to commit no waste upon the said land, and to suffer no waste to be committed upon the portion in.....occupancy or use; to take good care of the same, and to promptly surrender and return the premises upon the termination of this lease to the part.. of the first part or to whomsoever shall be lawfully entitled thereto, and not to remove therefrom any buildings or improvements erected thereon during the said term by the said part.. of the second part, but said buildings and improvements shall remain a part of said land and become the property of the owner of the land as a part of the consideration for this lease, in addition to the other considerations herein specified, excepting that tools, boilers, boiler-houses, pipe lines, pumping and drilling outfits, tanks, engines, and machinery, and the casing of all dry or exhausted wells, shall remain the property of the said part.. of the second part, and may be removed at any time before the expiration of sixty days from the termination of the lease; that.....will not permit any nuisance to be maintained on the premises under .....control, nor allow any intoxicating liquors to be sold or given away for any purposes on such premises; that.....will not use such premises for any other purpose than that authorized in this lease, and that before abandoning any well.....will securely plug the same so as to effectually shut off all water above the oil-bearing horizon.

And it is mutually understood and agreed that no sublease, assignment, or transfer of this lease, or of any interest therein or thereunder, can be directly or indirectly made without the written consent thereto of the lessor.. and the Secretary of the Interior first obtained, and that any such assignment or transfer made or attempted without such consent shall be void.

And the said part.. of the second part further covenant.. and agree.. that.....will keep an accurate account of all oil mining operations, showing the whole amount of oil mined or removed; and all sums due as royalty shall be a lien on all implements, tools, movable machinery, and other personal chattels used in said prospecting and mining operations, and upon all of the oil obtained from the land herein leased, as security for the payment of said royalties.

W. H. O. J.

And the part.. of the second part agree .. that this indenture of lease shall in all respects be subject to the rules and regulations heretofore or that may hereafter be lawfully prescribed by the Secretary of the Interior relative to oil and gas leases in the Cherokee Nation.

And the said part.. of the second part expressly agree.. that should ..... or ..... sublessees, heirs, executors, administrators, successors, or assigns, violate any of the covenants, stipulations, or provisions of this lease, or fail for the period of sixty days to pay the stipulated monthly royalty provided for herein, then the part.. of the first part shall be at liberty, in ..... discretion, to avoid this indenture of lease and cause the same to be annulled, when all the rights, franchises, and privileges of the part.. of the second part, ..... sublessees, heirs, executors, administrators, successors, or assigns hereunder shall cease and end without further proceedings.

If the lessee.. make.. reasonable and bona fide effort to find and produce oil in paying quantity as is herein required of ..... and such effort is unsuccessful, ..... may at any time thereafter, with the approval of the Secretary of the Interior, surrender and wholly terminate this lease upon the full payment and performance of all ..... then existing obligations hereunder: Provided, however, That approval of such surrender by the Secretary will be required only during the time his approval of the alienation of the land is required by law.

It is further agreed and understood that this lease shall be of no force or effect unless the part.. of the second part shall, within sixty days from the date of approval of the application filed in connection herewith, furnish a satisfactory bond in accordance with the regulations of March 20, 1905, prescribed by the Secretary of the Interior, which shall be deposited and remain on file in the Indian Office during the life of this lease.

In witness whereof the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned.

..... [SEAL.]  
..... [SEAL.]  
..... [SEAL.]

Attest:

Two witnesses to execution by lessor:

P. O. ....

P. O. ....

Two witnesses to execution by lessee:

P. O. ....

P. O. ....

### EXHIBIT C.

DEPARTMENT OF THE INTERIOR,  
Washington, April 7, 1906.

SIR: By departmental letter dated March 22, 1906, "I. T. D. 4688-1906," I was directed to personally interview and procure statements under oath, if possible, from certain parties who have taken oil and gas leases in the Indian Territory and mentioned in a communication of March 9, 1906, from the United States Indian agent, Union Agency, Ind. T., addressed to the Commissioner of Indian Affairs, concerning alleged combinations of interests of such oil lessees in the Indian Territory exceeding 4,800 acres in the aggregate, and which communication I forwarded to the Department with a report dated March 16, 1906. I have the honor to submit the following report in reference to the alleged Barnsdall interests after investigation.

The regulations of the Department require that with each oil and gas lease filed with the Indian agent, for the approval of the Department, there shall be submitted an affidavit of the applicant, in part as follows:

I also swear that I am not directly or indirectly interested in any oil and gas lease for any of the lands within the territory occupied by the Creek and Cherokee nations in the Indian Territory, or application for such lease, the lands embraced in which, with the tract covered by the lease herewith presented, would make more than 4,800 acres.

The leases themselves also contain a provision as follows:

And it is mutually understood and agreed that no sublease, assignment, or transfer of this lease or of any interest therein or thereunder can be directly or indirectly made without the written consent thereto of the lessor and the Secretary of the Interior first obtained, and that any such assignment or transfer made or attempted without such consent shall be void.

Such leases further provide, in part:

And the party of the second part agrees that this indenture of lease shall in all respects be subject to the rules and regulations heretofore or that may hereafter be lawfully prescribed by the Secretary of the Interior relative to oil and gas leases in the Cherokee Nation.

The regulations of the Department in force at the time the leases to the following-named persons were taken provide, in part, that—

No lease shall be sublet, transferred, or assigned without the consent and approval of the Secretary of the Interior.

Also that—

Applications by parties who do not themselves intend to conduct operations on the land will be rejected.

The agent states in his letter that from the records of his office the acreage covered by the pending leases, and those forwarded and approved by the Department, to persons said to be associated together in the Barnsdall interests are as follows:

Lessee.	Acreage filed.	Acreage transmitted.	Acreage approved.
T. N. Barnsdall .....	4,681	3,607	3,467
Samuel S. Smith .....	4,581	3,262	3,042
A. T. McDonell .....	3,350	2,246	2,136
Freeman E. Hertzell .....	5,302	1,910	40
James O'Neill .....	3,017	2,287	1,939
Eugene P. Whitcomb .....	4,994	2,711	1,626
John T. Furlong .....	3,279	1,130	871
Armstead B. Baxter .....	2,443	429	112
Howard Webber .....	70	0	0
William E. Mowris .....	358	130	0
Total .....	32,075	17,712	13,233

Of the above-named parties I have personally interviewed and inclose herewith testimony of the following-named persons: T. N. Barnsdall, Eugene P. Whitcomb, John T. Furlong, and Armstead B. Baxter.

I was unable to see Mr. Freeman E. Hertzell, as he was absent in New York from his home at Warren, Pa. I therefore forwarded him a list of questions, and his answers inserted thereto, under oath, are inclosed herewith.

Of the other parties alleged to have interests with Mr. Barnsdall, Samuel S. Smith is reported to be in Arkansas, A. T. McDonell is in Indiana, and James O'Neill is in Webb City, Mo. It will therefore be

necessary for me to interview and submit reports with reference to their holdings at a later date.

In addition to the above-named parties reported by the Indian agent, it has been currently reported that oil leases taken in the name of Arthur W. Lewis, of Pittsburg, were also taken in the interests of Mr. Barnsdall. Mr. Lewis was ill at the time of my visit to Pittsburg, and I inclose herewith a physician's certificate that he was unable to be seen and therefore was not interviewed.

Concerning the interests of Mr. Barnsdall, he testifies that he was interested in the leases taken in his own name and is also interested in a large number of other leases.

I am advised, however, by the Indian agent, that the last lease filed by Mr. Barnsdall in his own name was in 1904, and that the leases filed by all of the other parties above named have been of a later date, and it would therefore seem that Mr. Barnsdall had filed no improper affidavits, inasmuch as he was not interested in these leases at the time he made his affidavit. I have, however, requested the Indian agent to advise me of the exact date of all affidavits filed, upon receipt of which a further report will be submitted. Mr. Barnsdall informed me that affidavits were recently sent to him concerning some recent leases taken in his name, but that he declined to make the necessary affidavit as he was then interested in leases aggregating more than such area.

As will be hereafter shown, Mr. Barnsdall is interested, more or less, in the leases taken in the name of John T. Furlong, as he advanced such party funds to make his financial showing and is also bearing the expense of the operations of his lease. He is also interested in nearly all of the leases taken by the other parties named to the extent that there is an understanding whereby he has the gas rights of each lease.

With reference to the leases taken in the name of Samuel S. Smith (who was not seen), Mr. Barnsdall testifies that he has no interests therein except that he is to have the gas rights and had also advanced Smith means to make his financial statement. With reference to the financial showing made by Samuel S. Smith, and filed with his leases, there was an affidavit dated July 31, 1905, by the treasurer of the German Trust Company, of Pittsburg, that said Smith had on deposit \$40,000. I have ascertained from said trust company that such amount was loaned to Smith by the bank on notes, indorsed by Mr. Barnsdall, April 31, 1905, and that such loan was canceled, and the deposit thereby withdrawn, September 25, 1905.

In regard to leases taken in the name of A. T. McDonell, Mr. Barnsdall states that the Southern Oil Company had a drilling contract with A. T. McDonell, and that he (Barnsdall) was interested in such Southern Oil Company, and that the drilling contract was similar in character to others made by Barnsdall, wherein he received a percentage of oil for drilling wells and assumed all expense in connection with the operations of such leases.

In regard to leases taken in the name of Freeman E. Hertzel, Mr. Barnsdall states that he has no interest in such leases, except he has the gas rights, but also states that he has drilled two or three wells on such leases.

The statements of Mr. Hertzel, made under oath and forwarded to me, are inclosed herewith, wherein he states that Mr. Barnsdall is to have all the gas marketed off the property; that he is worth above his

liabilities at the present time, independent of the oil leases, \$100,000; that at the time of making the financial showing covering applications for his leases he borrowed at the Farmers' National Bank, of Pittsburg, \$20,000 for ninety days, at 5 per cent, on his note, indorsed by Barnsdall; that he is operating the leases himself, the cost of which to the present time has been about \$25,000, and that Mr. Barusdall advanced one-third of such amount for the gas privileges, and that he (Hertzell) is not interested in any other leases in the Indian Territory, nor has he made contracts with anyone for the operation of his leases.

In regard to leases taken in the name of James O'Neill (who was not seen), Mr. Barnsdall states that he is interested in some of such leases to some extent; that he is unable to state the exact interest, but that it is something like three-eighths. He also states that the expenses incurred by O'Neill are not O. K.'ed by himself, as has been currently reported.

Concerning the leases taken in the name of Eugene P. Whitcomb, Mr. Barnsdall states that he is interested in the gas covering such leases. The testimony of Mr. Whitcomb submitted shows that he is not in the employ of Mr. Barnsdall, but is associated with him in some companies in the East; that he made his own financial showing in connection with his leases, and is worth approximately \$200,000, and that there has not yet been much expense for operations incurred in connection with his leases taken in his own name to the present time, but that such expense is incurred by himself and the operations are in the charge of Mr. Mitchell in the Territory, who has not made a report recently.

In this connection it may be stated that Mr. Mitchell appears to be also in the employ of Mr. Barnsdall, who states that Mr. Mitchell looks after a number of leases for himself and others, and that the proportion of expenses are borne by each.

In regard to leases taken in the name of John T. Furlong, Mr. Barnsdall states that he is interested in the gas and that he is also interested possibly in three or four wells on such leases in the shape of drilling contracts. He does not state definitely whether or not Mr. Furlong is in his employ, but that he has helped him make his financial showing, and further on in his testimony, it will be observed, he states that he has the practical supervision and operation of the leases taken in Furlong's name, and furnishes the necessary means.

In connection with such leases, the testimony of John T. Furlong is submitted, wherein he states that he is 24 years of age, without a family, and has been for the past two and one-half years and is now in the employ of Mr. Barnsdall. He states he is operating his leases, but admits that such is being done by Mr. Barnsdall. He also states that he himself paid the bills, etc., but that Mr. Barnsdall helped him make the financial showing, in consideration of which Barnsdall was to have the gas. Mr. Furlong further admits that he has practically no property of any value and no funds to speak of; that at the time of making his financial showing covering his leases he had no other property than the money advanced by Mr. Barnsdall and the leases which he was applying for. He further states that Mr. Mitchell is looking after the operation of leases in the Indian Territory.

With the leases filed in the name of John T. Furlong, and approved, was an affidavit from the treasurer of the German Trust Company, of Pittsburg, that on August 30, 1905, said Furlong had on deposit \$40,000.

I have ascertained from such trust company that such amount was loaned Furlong on August 30, 1905, on notes indorsed by Barnsdall, and that such loan was canceled and deposit withdrawn October 9, 1905.

I invite special attention to the testimony of Furlong, as demonstrating clearly that he is an employee of Barnsdall, by whom all expenses are paid, and that Furlong is practically without means and was so at the time he made his application for leases, the necessary money to make his financial showing being advanced, as above shown, by Mr. Barnsdall, and the only other property he had at the time such application was made, which he considered worth \$20,000, proves to be the valuation placed upon the leases by him which he was applying for, but which were not yet approved.

In regard to leases taken in the name of Armstead B. Baxter, Mr. Barnsdall states that he is interested in the gas only, and that Baxter has sufficient means. Mr. Baxter states in his testimony that a Mr. Spooler is interested with him in his leases, and that he is worth, irrespective of his indebtedness, between \$500,000 and \$600,000, and that the financial showing made in connection with his application for leases was his own individual money.

From inquiries and best obtainable information it appears that Mr. Baxter is abundantly able to carry out the requirements of his leases. Mr. Baxter further states that Mr. Webber, in the Territory, who was securing leases for Mr. Barnsdall, was also securing leases for him under the direction of Mr. Barnsdall, as he had requested the latter to have his agents in the Territory secure such leases for him. He also states that Mr. Barnsdall is to have the gas in his leases, and to that extent was interested with him, and, further, that the expenses of operating the leases are paid by himself by contracting for the drilling of wells at a certain amount per foot.

Mr. Baxter is also a stockholder in the Osage and Oklahoma Company, which he states has leases covering 5,000 or 6,000 acres in the Indian Territory.

Concerning leases taken in the name of Howard Webber, aggregating 70 acres, I am advised by the Indian agent that such lease has been withdrawn.

With reference to the leases taken in the name of William W. Mowris (who was not seen), Mr. Barnsdall states that he is not interested with him in the Cherokee Nation, but is interested with said Mowris in the Osage.

Mr. Barnsdall states in his testimony that he is further interested in a number of drilling contracts in the Indian Territory, as follows:

Name.	Acreage.
American Oil and Gas Co .....	2,020.00
Indian Territory Development Co .....	3,188.33
Cherokee and Chickasaw Development Co .....	410.00
Coon Creek Oil and Gas Co .....	994.00
Stubbs & Lowe .....	680.00
Do .....	941.28
Do .....	1,309.25
Parsons Crude Oil and Development Co .....	<sup>a</sup> 670.00
St. John & Truskett .....	240.00
Securities Investment Co .....	60.00

<sup>a</sup>Canceled, he thinks.

Of the above-named companies the American Oil and Gas Company, the Indian Territory Development Company, and the Cherokee and Chickasaw Development Company are all referred to by the Indian agent as "associated Indiana companies," who are alleged to be interested together.

Mr. Barnsdall states that he has drilled wells under all of the above-named contracts, and that they are practically all on the same basis and for the same consideration. I inclose herewith a copy of his contract with Stubbs & Lowe, wherein it will be noticed that he assumes all expenses in the operation of such leases and complies with all the requirements of the original leases, in consideration of which he is to receive 80 per cent and 83½ per cent, respectively, of the gross value of the oil produced, which leaves, after allowing the 10 per cent to the lessor, as required by the lease, 10 and 6½ per cent, respectively, to the lessee, who assumes no expense whatever.

Mr. Barnsdall adds, on the last page of his testimony, that it was his original intention to take drilling contracts on Furlong's, Smith's, and other leases, but that he had been advised several months ago that the Secretary had decided against such drilling contracts without the approval of the Department, and that, therefore, he had taken no drilling contracts after he was so advised, those above referred to having been taken previous to that time.

Mr. Barnsdall further states that he is interested in the Osage and Oklahoma Company, which acquired the holdings in the Indian Territory of Guffey & Galey, or the Arkapsas Valley Oil and Gas Company, which Guffey & Galey incorporated.

In addition to the leases referred to by the Indian agent as the Barnsdall interests there were, as above stated, a large number of leases taken in the name of Arthur W. Lewis, of Pittsburg (who was not seen, he being ill), and Mr. Barnsdall states in his testimony that he is interested in the gas in such leases, but does not remember whether he furnished the financial showing or not.

At the time Arthur W. Lewis filed application for leases he submitted a sworn statement of the treasurer of the Home Trust Company, of Pittsburg, to the effect that he had on deposit February 21, 1905, \$43,629.29. I have ascertained from such trust company that this deposit was made on that date by checks or notes indorsed by Barnsdall, and that such amount was left on deposit for a period of about a week and then withdrawn; and that said Lewis, who at that time was Mr. Barnsdall's head man or private secretary, has had no deposit at such trust company since that time. Mr. Barnsdall also states that Mr. Lewis used to be his head man, but informed me that he had been ill for the past four months.

The agent also refers in his letter to leases taken in the name of the Pilgrim Oil Company, Penn Oil Company, Puritan Oil Company, Plymouth Oil Company, Providence Oil Company, Keesage Oil Company, Midland Oil and Gas Company, and the Keystone Oil and Gas Company, which companies have each filed leases covering in the neighborhood of 4,800 acres each, or 32,000 acres in the aggregate, none of which, however, have as yet been approved by the Department, and states that it is his information that John E. McGuire, formerly of Pennsylvania but now of Bartlesville, Ind. T., practically controls such companies.

In the Pilgrim, Penn, and Puritan oil companies it appears that John E. McGuire owned, at the time the leases were filed, 3,998 shares

of the 4,000 shares in each company and that two other parties owned one share each in each company. I have not yet seen John E. McGuire, but the vice-president of the Columbia National Bank, Pittsburg, Mr. F. A. Griffin, declined to express himself with reference to Mr. McGuire, whom he had known, other than to state he would not indorse him.

In the three companies above referred to, Mr. Barnsdall states he was to have the gas rights, provided he was permitted to do so. He explained to me that he has made application to the Department to have the restrictions removed limiting the gas rights to 4,800 acres, and that in such event he had agreements with many lessees that he was to have the gas rights.

It appears that the financial statements covering leases applied for by the Penn, Pilgrim, and Puritan oil companies, controlled by McGuire, was furnished by banks in Pittsburg.

With the leases filed by the Penn Oil Company there was an affidavit by the cashier of the First National Bank of Pittsburg that such company had on deposit \$40,000 November 20, 1905. I have ascertained from such bank that John E. McGuire deposited such amount, that he was introduced and indorsed by Barnsdall, and that such deposit was withdrawn February 19, 1906.

With application for leases in the name of the Pilgrim Oil Company there was filed an affidavit by the treasurer of the German Trust Company, of Pittsburg, that such company had on deposit \$40,000 October 5, 1905. I have ascertained that such trust company loaned the Pilgrim Oil Company such amount on notes indorsed by Barnsdall, and that such loan was cancelled and the deposit withdrawn January 12, 1906.

In the financial statement filed with leases to the Puritan Oil Company, it was stated that \$40,000 was on deposit with the Colonial Trust Company, of Pittsburg. I have ascertained from such trust company that such amount was loaned November 18, 1905, on notes indorsed by Barnsdall, and that such loan was cancelled and the deposit withdrawn February 27, 1906.

I inclose herewith a list of the stockholders of the Osage and Oklahoma Company, which shows that Barnsdall, Baxter, and Whitcomb are interested, as stated in their testimony.

Mr. Barnsdall further states that he proposes to have a company known as the Barnsdall Oil Company, though not yet organized, and that Mr. J. S. Young, formerly with the Standard Oil Company, is to be the manager; that said Young had been with the Standard Oil Company for twenty years and resigned January 1, 1906, and has since gone to work for him, and that he does not think that Mr. Young is now connected with the Standard.

Mr. Barnsdall further states that he (Barnsdall) had an option to take the interests of the Lumberman's Oil Company in the Indian Territory, and that he paid \$500 for such option, which has expired. (It has been currently reported in the Territory, and so stated by parties representing the Lumberman's Oil Company, that Mr. Barnsdall had acquired their entire interests. This matter will require further investigation.) Mr. Barnsdall adds that the Barnsdall Oil Company acquired what right he had in the leases in the name of James O'Neill, and has also bought out the Osage and Oklahoma Com-

pany, and also acquired what drilling contracts he had; that he (Barnsdall) owned all interest and every share in the Barnsdall Oil Company; that he has no understanding relative to disposing of such interest, but that he has transferred or put up such interest as collateral for a loan; but does not state with whom such arrangements are to be made or have been made, but that he is now figuring with reference to the matter. It will be noticed, he states in reply to my inquiry as to whether the parties making this loan to him were interested in the Standard Oil Company, that he is "unable to say." I invite special attention to his testimony on pages 11 to 14 in reference to this matter.

In connection with the transfer of the Guffey & Galey interest to the Osage and Oklahoma Company, there was referred to me by the Department with other letters a copy of a letter from Guffey & Galey, addressed to the Department, under date of March 17, 1906, wherein they stated that, on June 11, 1904, they organized the Arkansas Valley Oil and Gas Company, all of the stock of such corporation being owned by them, and that on October 4, 1904, they assigned to such corporation all of their approved and unapproved leases in the Creek and Cherokee nations, as well as the sublease from the Indian Territory Illuminating Company in the Osage Nation, Okla.; and that on April 1, 1905, the Arkansas Valley Oil and Gas Company sold and assigned all of these holdings to the Osage and Oklahoma Company, which was owned by T. N. Barnsdall and others.

I called upon Messrs. Guffey & Galey with reference to this matter and they confirmed the statements made in their letter to the Department, above referred to. Mr. Guffey's attention was invited to the provision of his leases in the Indian Territory, which provides that no sublease, assignment, or transfer of the lease or of any interest therein could be directly or indirectly made without the written consent thereto of the lessor and of the Secretary of the Interior first obtained, and that any such assignment or transfer made or attempted without such consent would be void, and when asked whether the consent of the lessor or the Department had been so obtained he admitted that it had not. He further stated that he would take up the matter with the Secretary, either personally or by letter, next week.

I have ascertained from the records in the Indian agent's office that the acreage of leases filed in the name of Guffey & Galey, in the Creek and Cherokee nations, aggregates 6,016 acres, of which leases covering 2,566 acres have been approved and 893 acres have been disapproved by the Department, and the remainder, covering 2,557 acres, are pending in the Indian agent's office and have not yet been submitted to the Department.

The agent also advised me that the Arkansas Valley Oil and Gas Company has filed leases aggregating 1,487 acres, but that no leases have been filed in the name of the Osage and Oklahoma Company.

#### CONCLUSIONS.

It is shown by the above and the testimony submitted that the different individuals interviewed, and who have leases in their own names, are interested in other leases aggregating more than 4,800 acres, as follows:

*T. N. Barnsdall:* Mr. Barnsdall has taken leases in his own name aggregating 4,681 acres.

In leases taken in the name of Samuel S. Smith, aggregating 4,581

acres, Mr. Barnsdall testifies that he has the gas rights under certain conditions.

In leases taken in the name of A. T. McDonell, aggregating 3,350 acres, Mr. Barnsdall testifies that he is interested in the company, which has a drilling contract covering these leases.

In leases taken in the name of Freeman E. Hertz, aggregating 5,302 acres, Mr. Barnsdall testifies that he is interested in the gas, and which is confirmed by Mr. Hertz's testimony.

In leases taken in the name of James O'Neill, aggregating 3,017 acres, Mr. Barnsdall testifies that he is interested therein something like "three-eighths."

In leases taken in the name of Eugene P. Whitcomb, aggregating 4,994 acres, Mr. Whitcomb testifies that—

There is an agreement or understanding that I am to turn over the gas rights to Mr. Barnsdall in the event that he brings about certain transactions permitting him to take it.

Mr. Barnsdall is practically operating and furnished the means for leases taken in the name of John T. Furlong, aggregating 3,279 acres.

He also appears to be interested in leases taken in the name of Armstead B. Baxter, aggregating 2,443 acres, who testifies that—

He (Barnsdall) was to have the gas and I to have the oil. It was a verbal agreement.

Mr. Barnsdall also testifies that he is interested in the gas in such leases.

With reference to the gas in these leases, Mr. Barnsdall states:

I ain't interested in the gas unless this gas deal goes through. That's the way with all these leases.

In leases taken in the name of Arthur W. Lewis, which are not referred to by the agent, and therefore I can not state the aggregate number of acres, Mr. Barnsdall testifies that he has a verbal agreement whereby he is to have the gas if he has a right to take it.

In leases taken in the name of the Pilgrim Oil Company, aggregating 5,268 acres; the Penn Oil Company, aggregating 4,973 acres, and the Puritan Oil Company, aggregating 5,020 acres, of which J. E. McGuire was represented as owning all of the stock in each company except 2 shares in each at the time the leases were applied for, Mr. Barnsdall states that he has the gas rights covering such leases, if he ever has a chance to own it, and that he furnished J. E. McGuire means to make his financial showing.

Mr. Barnsdall also testifies that he has drilling contracts, whereby he assumes all expense of operating leases and receives, in consideration therefore, a percentage of oil, as follows:

Name.	Acreage.
American Oil and Gas Co .....	2,020.00
Indian Territory Development Co .....	3,133.33
Cherokee and Chickasaw Development Co .....	410.00
Coon Creek Oil and Gas Co .....	994.00
Stubbs & Lowe .....	630.00
Do .....	941.28
Do .....	1,309.25
Parson's Crude Oil and Development Co .....	<sup>a</sup> 670.00
St. John & Truskett .....	240.00
Securities Investment Co .....	60.00
Total .....	10,407.86

<sup>a</sup>Canceled, he thinks.

making an aggregate of drilling contracts of 10,407.86 acres on leases taken in the name of such companies.

Mr. Barnsdall also testifies that he is interested in the Osage and Oklahoma Company, which acquired leases taken in the name of Guffey & Galey, aggregating 6,016 acres, and also of leases taken in the name of the Arkansas Valley Oil and Gas Company, aggregating 1,487 acres.

Mr. Barnsdall further states that he has recently consolidated all of his interests in the Indian Territory under the name of the "Barnsdall Oil Company," and that he is the absolute owner of all stock of such company.

As above stated, Mr. Barnsdall acquired interests in these various leases after the last sworn affidavit filed; that he was not interested in more than 4,800 acres; therefore it does not appear that his affidavit was incorrect.

*Samuel S. Smith:* Mr. Smith has filed leases aggregating 4,581 acres, of which leases covering 3,262 have been transmitted and 3,042 acres approved by the Department March 9. Mr. Barnsdall has the gas rights covering such leases and advanced Smith means to make his financial statement of \$40,000, which was loaned to Smith by bank on notes indorsed by Barnsdall, and such loan and deposit subsequently canceled. (Smith not yet interviewed.)

*A. T. McDonell:* Mr. McDonell has leases aggregating 3,350 acres filed, of which 2,246 acres have been transmitted and 2,136 acres approved by the Department.

Mr. Barnsdall testifies that the Southern Oil Company, in which he is interested, has a drilling contract covering McDonell's leases.

*Freeman E. Hertzel:* Mr. Hertzel has 5,302 acres filed, of which 910 have been transmitted and 40 acres approved by the Department.

The testimony of Mr. Hertzel shows that he is interested in no other leases in the Indian Territory, but that Mr. Barnsdall advanced him money to make his financial showing, although he is a man of means.

*James O'Neill:* Mr. O'Neill has leases aggregating 3,017 filed, of which 2,287 acres have been transmitted and 1,939 acres approved.

Mr. O'Neill was not seen and therefore I can not now state whether he is interested in any other leases or not.

*Eugene P. Whitcomb:* Mr. Whitcomb has taken leases aggregating 4,994 acres, of which 2,711 acres have been transmitted and 1,626 acres approved.

The testimony of Mr. Whitcomb shows that he acquired an interest in the Osage and Oklahoma Company March 16, 1905, and that such company acquired the interests of Guffey & Galey, or the Arkansas Valley Oil and Gas Company, in the Indian Territory, April 1, 1905. It appears from the Indian agent's records that the last sworn application for leases made by Mr. Whitcomb, to the effect that he was not interested in leases aggregating more than 4,800 acres, was dated October 11, 1905. It would therefore appear that such affidavit was not correct.

*John T. Furlong:* Mr. Furlong has filed leases aggregating 3,279 acres, of which 1,130 acres have been transmitted and 871 acres approved.

It does not appear that Furlong is interested in other leases, but his testimony clearly shows that he is without any means whatever and

that his leases are operated under the direction of and the necessary means advanced by Barnsdall.

*Armstead B. Baxter:* Mr. Baxter has leases filed aggregating 2,443 acres, of which 429 acres have been transmitted and 112 acres approved.

The agent advises me that the last sworn application made by Baxter that he was not interested in leases aggregating more than 4,800 acres was filed September 28, 1905. His testimony shows that he was interested in the Osage and Oklahoma Company, although the date which he acquired same was not ascertained, but his affidavit is undoubtedly incorrect.

*William E. Mowris:* Mr. Mowris has taken leases aggregating 358 acres, of which 130 acres have been transmitted and none approved.

Mr. Mowris was not seen, and it can not be stated at this time what other holdings he has in the Indian Territory.

The above report appears to cover all of the interests in the Indian Territory of the above-named parties which it has been practicable to procure to the present time. A further report will be submitted as to others as soon as they can be seen and interviewed.

All of which is respectfully submitted.

Very respectfully, your obedient servant,

J. G. WRIGHT, *Inspector.*

The SECRETARY OF THE INTERIOR.

LEASING OF OIL LANDS IN THE INDIAN TERRITORY—HEARING IN THE OFFICE OF THE SECRETARY MAY 8, 1906.

**The SECRETARY.** Gentlemen, I desire to say at the beginning that I want the fullest expression of opinion, if I am to know the whole situation. I want to also say that we have had at different times so much misunderstanding about conversations that I deem it proper to have what is said taken down, unless you have some objection.

**Mr. M. MATSON.** I have no objection whatever. Mr. Secretary, every gentleman here has spent his lifetime nearly in the oil business. We are not with the Standard Oil Company. I went out there three years ago yesterday; was one of the first men in that Territory, and we have done what we thought was fair as we understood the rules. Mr. Emery will make a statement to you.

**Hon. LEWIS EMERY, Jr.** I deem it necessary, Mr. Secretary, to first introduce the gentlemen here, as well as myself. I have been in the oil business since 1865, or forty-one years. I commenced manufacturing oil in 1867, and have been a producer, refiner, and transporter of oil from that time to the present time. We are all of us—the gentlemen present with me—Independent oil producers. None of the gentlemen are connected with the refining business excepting myself. We are to-day the owners of half a million dollars of stock in the only independent pipe line, running from the southern part of West Virginia to the harbor of Philadelphia, or a place called Marcus Hook, 18 miles below Philadelphia. We have two lines, one for the pumping of refined oil—and taking the credit to myself, I am the first man that attempted to do that; we pump refined oil 300 miles underground and load it on the ships. It does not see daylight until it gets into France,

Germany, and other countries to which it is exported. We are the only successful competitors of the Standard Oil Company. I stand here as the exponent of the independent interests and of the independent oil producers who recognize—and you gentlemen as well should recognize—that you are to-day facing men who have fought the octopus since its origin in 1872, and, if I may take the audacity to say it, I am to meet the President to-morrow at 11.30 to go over the report of Mr. Garfield, on which I wrote a comment. It may perhaps give some of you gentlemen some satisfaction to read my comments on the report of Mr. Garfield.

We present ourselves as pioneers of the business, having been in the business forty-one years myself. We came into it, Mr. Collins and myself—I am 66 years old—and it has been our life's study and our life's business, and none of my friends here are tainted with anything that pertains to monopoly in the business. On the contrary, we want to assist you in every way we can to shut out the Standard Oil Company from grasping up the oil lands; we want to aid you in every way we can. I have never been to the Indian Territory, excepting on the railroad. Some of my associates have. They have gone there and taken up lands as they understood the rules. They may have violated some of the rulings. If we did, or they did, they did it honestly, and, as I understand, under the advice of their attorneys or under the interpretations of the rulings of this Department. So whatever we may have done, if we have done wrong, we are perfectly willing, if we can, to amend it. But understand, we want to assist this Department in every way we can to figure out some way by which the small operator, as well as the large, shall have a square deal. That is all we want.

The ruling of this Department, as I understand it, Mr. Secretary, is that an individual is entitled to a lease of 4,800 acres, a lease, or a corporation. I am connected with the Matson Oil Company. I have not got an acre of ground in my name in the Indian Territory, but I do own some of the stock of the Matson Oil Company and have owned it for more than fifteen years. The company organized in the State of Pennsylvania for the purpose of prosecuting the business in New York, Pennsylvania, and West Virginia, etc. We were pioneers in the Indian Territory three years ago. If we have violated your rulings I want you to forgive us, if you can, and we want to assist you in putting these rulings so that we will be in a position to have such amounts as would naturally belong to us as individuals, not as a corporation. Why? I was the instigator and builder of this pipe line 900 miles long, and under your rulings we have had under consideration going out there and building an independent pipe line. But under your ruling we can not go, Mr. Secretary.

The SECRETARY. Why not?

Mr. EMERY. Because I am a stockholder and a large stockholder in a pure-oil company, and indirectly we are, under your ruling, the lessee. We had the matter under consideration at our last meeting of board of directors, and we are anxious, and the only way you will ever get anything is by the independent men going in there. Every single barrel of that oil going out to the Standard Oil Company at 52 cents is worth 80 or 90 cents, and if you had competition there you would obtain it. The oils of Ohio, Indiana, and Illinois bring a price of \$1. Why? Can you answer me? You must have competition there if you would get for your wards what belongs to them, and you

are facing men here to-day who have made it possible for a company like ours to exist. We were eleven years building that line, not 900 miles, but 400 miles. Eleven years, because of stumbling blocks put in our way by the Standard Oil Company. They are to-day the only transporters in that field. Of course, if the amendment offered by Mr. Lodge in the Senate here day before yesterday prevails, it will bring these companies in as common carriers. They are common carriers in law to-day, but they think they will make it impossible for anybody to put their oils into our lines. Now, I do not find fault. You have done the best you could in these rulings, but, Mr. Secretary, I fear you have not had with you men who understand and know the oil business.

There has been unquestionably before you lots of pretenders and men who felt as though they were doing you justice in telling you what they have, but I stand here as a man who has fought them from 1872, and I am fighting them still, and I have fought them successfully, and our men can go out in the Indian Territory and compete with the Standard Oil Company if we have an opportunity and a clear field to do so in; but the rulings have got to be changed. The ruling as I interpret it, and as I think you must, makes it impossible for us to go. Besides, I believe that this contract system is wrong; that is to say, where a party goes and enters upon land under your rulings, and he has got a set of tools and a cable, etc., and he comes to Emery and says: "Emery, I have got no money. I can not pay the \$5,000. I have got lots of brawn and muscle and determination and knowledge, but I have got to have some assistance. Now, Emery, if you will give me the necessary money for drilling this 4,800 acres, or a well upon it, I will contract to give you three-fourths interest in the company." You rightfully prohibit it. No question about that.

The SECRETARY. Why?

Mr. EMERY. I will tell you why. Because it gives an opportunity and has given an opportunity at the present time to certain men by which they go into that field and they grubstake the driller and he drills the well, and then, as is the case before us, as a collateral security that three-fourths is traded off to this octopus that desires to control the oil; and in Pennsylvania, West Virginia, Indiana, and Ohio their great effort was to control the oil so that nothing would go into this independent pipe line. The effort is in the same direction in the Indian Territory through those contracts, because if the money is furnished by the Standard Oil Company they have control of the property in spite of you. Mr. Secretary, the pioneer man in this business should be protected the same as he was under the homestead law.

The SECRETARY. Who do you mean by the pioneer?

Mr. EMERY. I mean the pioneer in the oil business. The Standard Oil Company never developed anything in their lives. Everything they have has been stolen—everything they have got, every invention. Everything has been taken up after the pioneer has developed it.

The SECRETARY. Who represents the pioneer?

Mr. EMERY. I mean the man who goes to the front and does the drilling—the man who has the engine and set of tools and nothing else. He goes out into those places and develops a well, just exactly as in the Indian Territory; that man Fawcett went out there years ago and developed a well; he did not have a dollar; that man is the pioneer

and the man you want to protect. I am only wanting to get some way by which you can protect him. You say to him that he must first make a financial statement and that he must put up a \$5,000 bond. It is impossible at the present time for the "wildcatter" to do it. In the oil business he is exactly the same as in mining; he is always poor. Who assists him? Why, the man with the capital. Finally it gets in the hands of the capitalist. I want that man protected if it is possible to do so, because he is the developer, the prime mover in every line of business, and he is not protected because you require him to do something that is impossible, and he is forced to go to the moneyed men and say, "Here, I want you to furnish me the money; I want you to furnish me the necessary financial statement—\$5,000." That is the case now.

The SECRETARY. Do you know why that \$5,000 restriction is put in those leases?

Mr. EMERY. I do not.

The SECRETARY. For the protection of bona fide operators—to prevent speculators from going in there.

Mr. EMERY. I understand that part of it. I am not finding fault, but saying that the man who is the developer of the oil should be protected.

The SECRETARY. What is your remedy?

Mr. EMERY. Why, to formulate some ruling or plan by which he could be protected.

The SECRETARY. What do you mean by plan or ruling?

Mr. EMERY. By which he could go in there and exercise the same right as the man who has \$5,000 or \$10,000.

The SECRETARY. Suppose he can not do that?

Mr. EMERY. He can do that.

The SECRETARY. How?

Mr. EMERY. I will tell you how. There is not an instance in the business that I know of where a single man started out blindfolded as he is to delve into the earth 2,000 feet, more or less, ever attempted it alone. It was by association of individuals.

The SECRETARY. I think you are mistaken there. We have some leases by individuals who say that they are able to do that sort of thing.

Mr. EMERY. Four of these men—two dressers and two drillers—will go together and drill a well without any expense. I have done that hundreds of times. I have sunk over 6,000 wells and I am vested with interest in over 3,000 wells.

The SECRETARY. Pardon me; never mind the personal part of it; we want to know what you object to.

Mr. EMERY. I am not objecting.

The SECRETARY. Please state what your purpose is.

Mr. EMERY. I would like to see some form of putting this into shape whereby the companies could go on and do their business. I have some interest in the Matson Oil Company and I am barred out from taking a single foot of land in that Territory, and I have not got a foot. With all our good intentions and desires to help make that an independent field we can not do a thing. We can not move into that Territory under that ruling. I am not complaining; I am only telling facts as they stand.

The SECRETARY. Then your idea is that your oil company should be allowed to go in there and buy an unlimited amount of acreage?

Mr. EMERY. *No, sir; you may restrict them to 4,800 acres.*

The SECRETARY. You may have a dozen men in the corporation and if each one took 4,800 acres then you would have several thousand acres more than you should have.

Mr. EMERY. Let me say this: We have gone in there and taken that up in our company's name. The men that will come after us will profit by our downfall and they will go and take the property in their name and it may be operated *sub rosa* by somebody else; that is quite probable.

The SECRETARY. I have not yet heard your plan. I would like to know definitely what your plan is.

Mr. EMERY. I did not suppose it was my duty to formulate a plan. I do not want to interfere with your business.

The SECRETARY. You are here objecting to our rulings.

Mr. EMERY. I am telling you where they are lame; *I am not objecting to them.* I am telling you where I think they are wrong.

The SECRETARY. I take that as an objection.

Mr. EMERY. I do not mean it so.

The SECRETARY. If they need remedying, I ask you to what extent and wherein they need changing?

Mr. EMERY. I have only referred to the fact. Do you think it is right that because I have got 10 shares in the Matson Oil Company that represents \$1,000 I should be ruled out of the Indian Territory?

The SECRETARY. You are not ruled out in any sense of the word.

Mr. EMERY. I can not take a foot of land.

The SECRETARY. I beg your pardon; you are doing just that very thing. You can go down there and take 4,800 acres if you can get a lease. In the first place, the leases were made with a limit of 4,800 acres attached so as to prevent companies controlling large amounts of acreage in the interest of those who were in the business as against the big monopolies such as referred to—the Standard Oil Company. I will say also to prevent a combination with any other company, call it by what name you please, if they choose to go in there and repeat in a smaller way just exactly what the Standard Oil Company was doing. That was the reason for the 4,800-acre limit. As a showing of their good intention to develop what they undertook, we required a satisfactory statement showing that the capital was there to do it with, and we limited it to \$5,000, assuming that any man fit to go into the business could get that amount of money, and you are free to-day to get 4,800 acres if you have \$5,000 to show that you have sufficient capital to sink a well. We have found that it worked exceedingly well. When they got those leases they made affidavit to this effect:

I also swear that I am not directly or indirectly interested in any oil and gas lease for any of the lands within the territory occupied by the Creek and Cherokee nations in the Indian Territory, or application for such lease, the lands embraced in which, with the tract covered by the lease herewith presented, would make more than 4,800 acres.

That was simply put in the lease, which was subscribed and sworn to before the lease was granted, to create this protection that I speak of, and nobody can go and take 4,800 acres who is interested in any other company. That is the point exactly.

Mr. MATSON. Do I understand you to say that if I own 20 shares of stock in that company by selling that stock I can have that land?

The SECRETARY. Yes, you can; if you sell your stock. It has to be a bona fide transaction. I am going to talk plainly, for that is my habit. I do not want one to come here with an application for 4,800 acres and with the names of all the rest of the family.

Mr. MATSON. Last Christmas I made my two sons and wife a present of \$10,000 worth of stock in the Matson Oil Company. Does that debar them from taking a lease in their own name? They were made a present of it. My two boys want to follow the business.

The SECRETARY. I do not mean to be offensive, but it is just another way of getting a larger acreage in the family.

Mr. MATSON. It is not, though.

The SECRETARY. Yes, it is. Here it is right here.

Mr. MATSON. I thought the Matson Oil Company could take 4,800 acres, and Matson could take 4,800 acres, etc. That is the way we construed the rules.

The SECRETARY. That is not the proper construction of them.

Mr. MATSON. You spoke about the whole family in that; they never paid a cent.

The SECRETARY. That has nothing whatever to do with it. That door down there is wide open to all who go in there, and they can go in there if they comply with the terms of the lease.

Mr. MATSON. Suppose they own enough to make 500 acres in the company. Can they take 4,300 acres outside of that?

The SECRETARY. The operation of this company business is so plain—the Matson Oil Company and the Devonian Oil Company—the plan of getting around this contract here—that we can not stand it.

Mr. MATSON. That was not intentional.

The SECRETARY. Well, that is the fact.

Mr. MATSON. If you will tell us what to do we will do it.

The SECRETARY. I will tell you what Guffey & Galey have done. They came here and took the same kind of a lease. They had their 4,800 acres and organized this Arkansas Oil and Gas Company. The law of Congress and the regulations *required* them to come here and get approval of any transfer they wanted to make. They organized this company, and the company—owned entirely by Guffey & Galey—sold out to Barnsdall for \$1,250,000, and he went and pledged his collateral somewhere for \$8,000,000, and we know perfectly well that the Standard Oil Company is at the bottom of the whole business. We told them that they had to undo everything they had done.

Mr. EMERY. I have not taken a lease of land and do not know anything about leasing. If they have done anything wrong they want to rectify it.

The SECRETARY. I have told you what you can do in the way of leasing. There is the contract, and every member of your family can go there and take up land, with the approval of this Department, under its terms. And about pipe lines, there are millions of barrels to-day in the Territory that are wanting a pipe line. There is no reason in the world why you and your associates should not go there and build that pipe line. You will get all you can do in less than a week. The competition you refer to would result in lower prices, and that is exactly what the Standard Oil Company is doing, and that is what we are trying to prevent—those fellows from grasping that Territory. I am a

business man myself, and I know that you can get all the business you want without sinking a well. You remove the monopolies we have and prices will go up.

Mr. MATSON. There seems to be a misunderstanding. I supposed that when I took 160 acres of land my rights were out. You say I can sell my stock out of the Matson Oil Company and go in again. I supposed that when I acquired all rights under your ruling that I was ruled out entirely.

The SECRETARY. I do not see how you could put any such interpretation on it. If you mean that you can go and take 4,800 acres and operate that for a little while and find a profit in selling it out, that is just the thing we are trying to prevent. We are doing our level best to protect the man who goes in there in good faith to develop that land.

Mr. C. P. COLLINS. With your permission to transfer this to another party, would one have the right to go in there?

The SECRETARY. What property do you mean?

Mr. COLLINS. The individual's. Suppose I have 4,800 acres and you permit me to make a transfer of that to Mr. Emery, would that exhaust my rights?

The SECRETARY. Yes; you can not go on repeating that. When you came here with your second application we would ask, "Why did you sell out your 4,800 acres when you signed a contract to go ahead and develop that?" You would not get our permission.

Mr. MATSON. I understand that you do not approve of Mr. Guffey and Mr. Galey's transaction?

The SECRETARY. *We disapprove of the speculative interests in order to protect the operative interests.* If these gentlemen had acquired a 4,800-acre lease and sold it out and came back here and asked for another 4,800-acre lease, we would simply say, "No, sir."

Mr. MATSON. Suppose we go out there and lease a lot of land and drill a well—we have 7,000 acres—

The SECRETARY. Who do you mean by "we?"

Mr. MATSON. The Matson Oil Company.

The SECRETARY. You say you have 10,000 acres of land?

Mr. MATSON. No; half a dozen of us have been working together. We have had this land and returned it; it has been canceled—3,400 acres.

The SECRETARY. You say "we;" I understand you mean the Devonian Oil Company?

Mr. MATSON. No, sir; I think the canceled property was all in C. S. Matson's name.

The SECRETARY. You have leased 4,309 acres?

Mr. MATSON. Yes; C. S. Matson. Three thousand four hundred acres of that have been canceled.

The SECRETARY. What is the 7,000 acres you spoke of just now?

Mr. MATSON. I don't know whose name that is in. Some of it is in the individuals' names belonging to the Matson Oil Company.

The SECRETARY. Are you working on it?

Mr. MATSON. No, sir.

The SECRETARY. What leases have you that you are working on?

Mr. MATSON. In the Cherokee Nation only 100 acres. We have had 700 or 800 acres approved; part of it has been sent back here and canceled.

The SECRETARY. You said something about 7,000 acres. Please locate them.

Mr. MATSON. I think about 3,400 of it is in C. S. Matson's name.

The SECRETARY. I have just said that C. S. Matson has in his name 4,309 acres. You can not tell how much you have been operating of that?

Mr. MATSON. We drilled two wells on that, I think, and other parties drilled around it, and the land was sent here and canceled—3,400 acres. There is about 3,400 acres more, I think, en route to be canceled.

The SECRETARY. The Matson Oil Company have 3,193 acres, none of which has reached the Department and none of which has been approved.

Mr. MATSON. I think that is wrong. I have been sick for nine months; have been down South. I do not think there were 4,800 acres.

The SECRETARY. These three companies aggregate 31,000. That is what I said a while ago—that that large accumulation of acreage, under our interpretation, is in violation of the contract.

Mr. MATSON. There is the Matson Oil Company and the Devonian Oil Company—

The SECRETARY. Is it not now practically one and the same thing?

Mr. MATSON. No, sir.

Mr. H. HEASLEY. I have about 2,800 or 2,900 acres of leases in the Indian Territory and neither the Matson Oil Company or the Devonian Oil Company have invested one dollar in my leases. I am a stockholder in the Devonian Oil Company. The company is charged with my leases amounting to 2,800 or 2,900 acres; they have not invested a penny in my leases. That is in answer to your question if it is not really one concern. We are not. The companies are not interested in my leases.

Mr. J. G. WRIGHT. You have leases in your name and you are interested in the Devonian Oil Company.

Mr. HEASLEY. Yes, sir.

The SECRETARY. Have your leases all been approved?

Mr. HEASLEY. No, sir.

Mr. WRIGHT. You filed an affidavit that you are not interested in any other lease. I find that you have taken a lease for 4,800 acres and filed an affidavit that you are not interested in any other lease which together with that which you have applied for, exceeds 4,800 acres, and yet you are interested in other leases.

Mr. HEASLEY. Well, I misinterpreted it.

The SECRETARY. The proposition is a very plain one. Any one of you can take 4,800 by putting up \$5,000 and complying with the regulations. Now go to work, if you want to, and get leases. They will be approved here upon the conditions of that contract. Then go to work to get facilities to get that oil to the top of the ground and then provide your pipe line. Then that octopus will be removed, and by and by you will all make money in the business.

Mr. HEASLEY. That is what we are here for to-day. We have been informed that we were allowed to take this acreage. We find that we are not. We have made a mistake.

The SECRETARY. I do not like to say words that might be interpreted as being harsh, but we do not like beating around the bush in this way. I accept your word that you are not trying to do that; but

we do not do it that way. You are limited to 4,800 acres. I told a gentleman here yesterday that if his 4,800 acres were divided up in every way the books of the Treasury Department would be so overburdened and complicated that we would not be justified in suggesting it.

Mr. HEASLEY. I will have to sell my stock in the Devonian Oil Company. I would rather sell my stock and operate as an individual.

The SECRETARY. Let me ask you a personal question. Why did you take that ten shares in the Devonian Oil Company?

Mr. HEASLEY. I have owned that for ten years.

The SECRETARY. Please answer me. Did you not think that would increase, by going into another company, your chances of getting an excess of 4,800 acres?

Mr. HEASLEY. No, sir. I have always been a stockholder. I became an individual investor afterwards.

Mr. EMERY. These men are gentlemen, and they are not entitled to the accusation of trying to defraud the Government.

The SECRETARY. I distinctly deny any such interpretation of my meaning and these gentlemen will bear witness that there was no cause for such inference.

Mr. MATSON. I owned some interest in the Devonian Oil Company about ten years ago. When I sold it out I had one odd share, and I said I would keep that to see what the boys were doing. I just wanted to keep track of the boys. Here it is. I thought there might be some trouble.

Mr. L. E. HEASLEY. These companies are separate and distinct. They have been old companies. While the Matson Oil Company has been a copartnership since 1890, they organized as a stock company. We would like to have both companies in there. Mr. Leonard is treasurer of the Devonian, and I am secretary and treasurer of the Matson Oil Company.

The SECRETARY. Well, if each individual should take 4,800 acres and then take an interest in a dozen other companies, that would increase the acreage. The idea is to not give to an individual more than 4,800 acres, with a view of protection.

Mr. HEASLEY. One of our companies will cancel its leases—the Matson Oil Company; then the Devonian will go on and operate and individuals can sell their interest in the Devonian.

The SECRETARY. A man might come in here and take a lease for 4,800 acres, and might be one of six in, say the Washington Oil Company. Each of these might go and organize some other company, and before he got through his interest might be probably 40,000 acres.

Mr. HEASLEY. Mr. Secretary, in forty years or over the Standard Oil Company has only acquired 25 per cent of the producing interests of the United States to-day—about 25 per cent of the Pennsylvania, Ohio, and Indiana fields. It shows that one company can not control or get hold of the oil-producing interests.

The SECRETARY. There seems to be a good deal of opposition to the Standard Oil Company. Why is there such an outcry?

Mr. EMERY. The Standard Oil Company have attempted to control the production of the eastern field, but they made a failure of it because as quick as they buy out a producer he would go and develop new fields. They bought the Ohio and Indiana fields and the Pennsylvania, West Virginia, Kentucky, Texas, and Indian Territory. This "wild-catter"

went forward and did this work. To-day they own 25 per cent of the white sand or eastern oils. Their great secret has been in the control of the transportation, because when they were first organized on every barrel moved they got \$1.06 rebate. Their rebates has been their profit, besides the enormous profit got from the people from the sale of the oil. The value of their stock to-day, which is one hundred millions, is six hundred millions. *They have made out of the business over a billion and a half of money.*

Mr. MATSON. Mr. Secretary, when we find that we have a tract of land that will not produce oil, we send it in to try to have it canceled. When I say we, I mean either myself, C. S. Matson, or some of these others. We have never canceled a lease that we have not gone to the Indian and said "now, here; your rental on this lease is so much up till to-day; we will pay it." You have to have the Indian release it. Every time you have to pay that fellow something to sign his name to that release.

The SECRETARY. I do not know that we can control that.

Mr. SMITH. Are you quite sure that is so—that the lessor has to consent?

Mr. MATSON. That is the way I understand it.

Mr. SMITH. You look at your lease; you will find that the Secretary can do it where you show good faith and that it is not oil-producing country.

Mr. Pollock reads condition in question:

If the lessee —— make — reasonable and bona fide effort to find and produce oil in paying quantity, as is herein required of ——, and such effort is unsuccessful, —— may at any time thereafter, with the approval of the Secretary of the Interior, surrender and wholly terminate this lease upon the full payment and performance of all —— then existing obligations hereunder: *Provided, however, That approval of such surrender by the Secretary will be required only during the time his approval of the alienation of the land is required by law.*

The SECRETARY. *The trouble is, gentlemen, that you have not read your leases. You do not know what your rights are or what you can do.*

Mr. HEASLEY. Where a piece of ground has been condemned, has he the right to surrender it?

The SECRETARY. You comply with that condition in the lease and your lease will be canceled quickly. That is the trouble; you have been mistaken in the interpretation of the terms of the lease. We are trying to help the oil producers of this country—those engaged in the business for a reasonable and proper profit. We have no reason for acting otherwise. I am personally down on the monopolies.

Mr. WRIGHT. I would like you gentlemen to present to the Secretary the matter of the requirement of the Department that wells should be drilled within one year. There have been a great many representations made to me to have that time extended, and your employees have called it to the attention of the employees of the Department down there a great deal.

The SECRETARY. I am glad to explain that. The purpose is this: This leasing business came up suddenly and rapidly. A little later on, just before the year expired, a very distinguished gentleman, formerly connected with the Government, sent me a note and asked me to consider very carefully an extension under this clause for a very warm friend of his living in Chicago. He came here, and we had a very pleasant chat about it. I found he had large oil interests in California. He

had seventy leases and he had not touched but four wells during the whole of that year. Now, was it right that he should tie up the Indians' property for twelve months and not do anything. The purpose was to prevent tying up that property. He went away entirely satisfied with the paragraph in the lease, expressing his regret that he had not paid more attention to the terms of the lease, and when it came to the extension he wanted I said this: You go and ask the allottee, and if you can make terms with him, because those are the terms you signed with him and he is a party to that contract—if you can make terms with him to extend the lease for a reasonable time, we have no objection. *We do not want to act in any way arbitrarily and unjustly with anybody.*

Mr. MATSON. As I understand you, if we want to surrender a lease we have to send it to you and not take it to the Indian?

The SECRETARY. You must simply comply with the terms of the contract; just simply say that it would not pay you—that it is not a paying proposition—and the inspector will send that up here, and as soon as we get around to it, or from that time, we will consider the lease canceled.

Mr. COLLINS. Will you allow anybody to take a lease in lieu of that one?

The SECRETARY. They can take 4,800 acres.

Mr. COLLINS. Have you made any provision for gas? For instance, we think of laying a line to Muscogee for gas.

The SECRETARY. I am glad you mentioned that. Mr. Barnsdall came here and wanted to look up those gas leases. I said, "That involves another proposition, and I think you ought to consult the lessor with a view of getting his permission." The mayor of Muscogee happened to be here in the city at that time, and he told me that the city of Muscogee was perfectly willing to give 35 cents per thousand feet for gas piped into the city for domestic purposes and 17½ cents per thousand feet for municipal purposes. I happened to have a photograph of a well emitting 20,000,000 feet a day, but I said to Mr. Barnsdall, "Take a well emitting 100,000 feet a day; you would get \$35 a day for it; you pay the Indian \$150 a year." I asked him if he considered that fair. He said he did not think so, but that much had to be put in meters. Thirty-five dollars a day on an investment of \$150 a year would make a pretty good speculation. But I said, "If you pay the Indian 2½ per cent of the receipts that you get you can hook up just as many wells as you want to, and you can go into St. Louis or Muscogee, just as you please, if you pay that 2½ per cent." The matter is still open to him, or you, or anybody else, and I think there are big opportunities there for capitalists to go into that business.

Mr. HEASLEY. I think Mr. Emery could explain the loss in transporting it.

The SECRETARY. But look at the margin; you can throw away half of it; *\$35 a day against \$150 a year.*

Mr. EMERY. Sometimes the wells run out entirely.

The SECRETARY. We expect the investor to take all those things into account. Take a city like Muscogee; any man to have that contract for twelve months would make an everlasting fortune.

Mr. EMERY. When you take into account the drilling and everything a man comes out about 15 per cent. We pay from \$50 to \$250 a year for a well.

The SECRETARY. I had the same proposition with regard to water the other day. The parties found that by going 6 miles from their plant into one of the parks it would enable them to add 3,500 horsepower to their plant. They were getting \$50 a horsepower a year for their power. I said "You go ahead and pay us 2½ per cent, which will enable us to keep this park in order, and they are going to do it. That is in one of the valleys in California.

Mr. COLLINS. If we segregate these different interests and put them into individual hands or sell it out we can take this land as individuals—4,800 acres.

The SECRETARY. Yes.

Mr. COLLINS. What evidence have we got to show you that we do this? We have to go to work and buy out the Matson Oil Company so that the individuals can have their rights.

The SECRETARY. That is a matter of detail for you gentlemen to care for, and I have no doubt you can do it. We will be glad to give any one of you land up to 4,800 acres.

Mr. MATSON. Suppose we are interested in two companies. Do we have to sell one of them out, or can one take one-half and the other one-half?

The SECRETARY. You would run right into the same trouble I spoke of a while ago.

Mr. MATSON. The Matson Oil Company have had but very few leases approved. Half a dozen attorneys construed it the same way—that the Matson Oil Company could take 4,800 acres, and C. S. Matson could take 4,800, etc. When I swore to these leases I said to our attorney, "I am swearing that I am not directly or indirectly interested in any lease within the Territory which with this lease would exceed 4,800 acres." He says, "You are not interested in that Territory until the Secretary approves it." He says both parties to the contract have to sign it.

Mr. COLLINS. Now, Mr. Secretary, if we shape this thing up, will you allow us to transfer these different interests so that we will lose none of our land that we have taken up?

The SECRETARY. You can not transfer it to an individual who has already 4,800 acres.

Mr. COLLINS. Will you allow us to arrange it so that we can take as individuals 4,800 acres?

Mr. SMITH. The contract requires that when you make a transfer you must have the consent of the Indian as well as of the Secretary.

The SECRETARY. There are two parties to the lease—the Indian and the lessee. The requirement that they must come here for approval is simply supervisory. At the same time it is the law and it is a law in order to protect the Indian. *Congress has the impression that the Indian needs protection, and Congress is right.*

Mr. SMITH. What you have reference to is where the Secretary can cancel the lease, when the lessee has shown good faith in endeavoring to produce oil there and shows to the Secretary that there is no oil in that land. With the proper showing it can be canceled without the consent of the allottee.

The SECRETARY. You simply have to satisfy us, gentlemen, that it does not pay to develop that well.

Mr. MATSON. There are a great many objections to that one-year business.

The SECRETARY. The Jennings Brothers, of Pittsburg, had the same

idea. They are going to get their lease extended with the permission of the lessor. We are bound to protect the Indian and the operator, but for a man to come here and ask for an extension of 66 leases out of 70 is not fair, having only operated *four*.

Mr. COLLINS. Now, in case that the Territory is not developed enough to warrant you to go on and drill this lease, or it is forfeited, does that exhaust your rights of taking any more land in the Indian Territory?

The SECRETARY. You have got that much left on your 4,800 acres. The 4,800 acres is the end; you can not go beyond that. You can have up to that if you will operate it as a business proposition.

Mr. COLLINS. The Devonian Oil Company has a lease that has been drilled and the Indian as well as ourselves are suffering on account of not being able to take that oil. Could that be approved before this thing is adjusted?

The SECRETARY. Well, I don't know. This whole thing has been held up because of these developments and the general situation about the Standard Oil. The whole thing has unfortunately been retarded, but I think we see daylight now. With this understanding we have had here to-day it is a great step forward. We do not want to in any-way interfere with your business.

Mr. COLLINS. *We will undertake to shape this thing up.*

Mr. MATSON. Now, if my son sells me his 10,000 shares in the Matson Oil Company that I gave him, shall I just notify you that he has done that?

The SECRETARY. I don't know that it is any of our business.

Mr. SMITH. He can just make his oath.

The SECRETARY. If he makes that oath, that settles it.

Mr. EMERY. *I think I put my foot into it. I did not suppose that these men had done what they have done. I supposed that you believed them all to be as straight as a string. I was here to recommend them.*

The SECRETARY. *I have not said anything to the contrary.*

Mr. EMERY. I thought you had the impression that they were different men from what they are.

The SECRETARY. You misunderstood me entirely. I made no charge of any attempt at wrongdoing, but it was a matter of inquiry for us, and of you. Now you have heard my views and I hope you are all happy.

Mr. MATSON. *I think if we had read those rules a little more carefully it would have been better for us.*

Mr. EMERY. *I have been misinformed as to your rulings.* I was told that you ruled that when a man had a single share in a company he had no right to take any more land. We supposed we had exhausted our rights, and that is what I have been informed.

Mr. MATSON. *What the Secretary has said to-day is just what we ought to do.*

The SECRETARY. I heard of two wells down there running over 20,000,000 feet a day.

Mr. COLLINS. They will not do it long. All gas companies have to keep the drilling of wells going on; one well will blow out and they have to keep on drilling and have to have a large area.

The SECRETARY. We have an application pending now from a party who has leased 200 acres; he is very urgently insisting that he should have the right to let the well digger rent that out at 75 per cent of the value. I do not believe in that sort of thing.

Mr. EMERY. *I think that is right, too.* I may grubstake that fellow with \$5,000 and he can carry it along in his name, and I have a subcontract with him to take three-fourths of his profit.

The SECRETARY. We do not recognize anything like that.

Mr. EMERY. I know you don't, but that is the way he will do.

The SECRETARY. We have served notice on Messrs. Guffey, Galey, and Barnsdall that they must undo what they have done, and if they don't do it we will cancel their contracts. We did that two weeks ago in this office.

I am very glad to have seen you gentlemen, and I hope we understand each other.

MARKETING THE INDIAN TERRITORY GAS.

WASHINGTON, D. C., May 23, 1906.

Hon. E. A. HITCHCOCK,

*Secretary of the Interior.*

SIR: In conformity to your request I hand you a condensed statement of facts and figures pertaining to the project of marketing the Indian Territory gas in St. Louis. These facts and estimates are deduced largely from my experience in developing the Kansas gas field, from which The Kansas Natural Gas Company is supplying various cities and towns in Missouri and Kansas, principally Topeka, Lawrence, Leavenworth, Atchison, and Kansas City, in Kansas, and St. Joseph and Joplin, in Missouri.

The distance from the gas fields to Kansas City is 160 miles. Size and amount of pipe lines, two 16-inch lines, branches 8-inch and 10-inch. Cost of pipe lines about \$8,000,000. Leases in Kansas necessary to cover the gas pools and intervening lines approximate 325,000 acres. Gas wells about 350. Annual royalty on gas wells, \$60 minimum to \$100 maximum. Prices at which gas sold to consumers, 25 cents for domestic, 10 cents for fuel, engines, and factories. Of this amount the distributing gas companies in the several cities get from 35 to 40 per cent, leaving about 60 per cent of the receipts for The Kansas Natural Gas Company, meaning 15 cents per thousand for domestic use, and 6 cents per thousand for manufacturing and fuel. Proportion sold, domestic use 15 per cent and manufacturing 85 per cent. Net average price, about 8 cents per thousand. Plant bonded for \$8,000,000 at 6 per cent.

The Indian Territory and St. Louis project involves: Distance from gas fields to St. Louis, 375 miles. Size of main pipe line, two 24-inch lines. Cost of pipe lines, approximately \$15,000,000. Leases needed to cover necessary wells, from 400,000 to 500,000 acres. Wells needed to justify the pipe line, 700.

Total estimated cash required to pipe gas to the limits of St. Louis, \$20,000,000, as follows:

Pipe lines.....	\$15,000,000
Cost to bring in 700 wells, including dry holes.....	2,600,000
Cost to buy gas rights of the oil lessees.....	500,000
Balance of construction cost, including field lines, reducing stations, etc. ....	1,800,000
 Total.....	19,900,000

Estimated daily sales (being approximate capacity of the lines) 75,000,000 feet; or, if sold at 8 cents net, \$6,000 daily. The capacity of the lines must be counted for ten hours only, as most of the manu-

facturers work only ten to twelve hours. The annual charges against the receipts would be: Average interest, \$600,000; operating expenses, \$600,000; annual royalty to Indians, \$105,000, which it is estimated should leave about a million dollars a year to apply on the payment of the bonded debt. The gas must last twenty years to repay the investor and give him some profit.

Natural gas is not particularly good for lighting purposes only, and can not be used at all, unless through the incandescent mantle. No city would use it, nor would it pay the producer for lighting purposes only. The successful company is the one that sells a large amount of gas, up to the capacity of the pipe line during working hours (in competition with coal), to manufacturers at wholesale prices. The gas once obtained must be stored and kept for sale during a period of years. Not above 10 per cent of the capacity of a gas well is generally used. A little gas should be taken from each well steadily, in order to keep it in good condition. In other words, wells should be used scantily and made to last a long time. The interest of the oil men is opposed to that of the gas men. The oil men want the gas all out, as it keeps back the oil. Exhausted gas wells frequently become oil wells. Unless the gas is secured by someone who will look after it, it will all be wasted by the oil men in the next year or two.

This data is somewhat disconnected and hurriedly presented, but it seems to me that the logical deduction, both from observation in other fields and from experience with the Kansas Natural Gas Company, is that the present royalty of \$150 per well per annum is all the business will possibly stand. I might be willing to pay the royalty as long as the well was capable of producing gas in commercial quantity, regardless of whether the gas was used or not. This would give a fixed charge that would not vary, but the royalty is enough. Experience of other fields, covering twenty-five years past, has adjusted equitable royalties and rental for oil, gas, coal, and other minerals. Gas must be found covering an area of about 500,000 acres—that is to say, covering the pools and intervening lands—and with a quantity to last twenty years, otherwise this project will not pay nor be practical. An Indian who has gas on his farm will no doubt have two or three gas wells; each well will, within twenty years, have produced him or her \$3,000 in royalties, which is far more royalty than an average oil well can ever produce.

What I contemplate is your approval of my plan to acquire from the oil men, who now hold most of the valuable leases in the Indian Nation, their gas rights upon such terms as I can make, obtaining enough acreage to cover the gas pools and intervening lands. Then by drilling sufficient wells to find gas enough to warrant the proposed pipe line to St. Louis. If I succeed, I will have made a market for a valuable product which is now not only without a market, but which will be destroyed and lost if not protected.

The pipe line once built means at least \$2,000,000 royalty on gas to the Indians, at \$150 per annum per well.

Please address me at 316 American Bank Building, Kansas City, Mo., on this subject.

I shall be glad to come to Washington at any time upon advice from you.

Very respectfully submitted.

HEARING ON THE SUBJECT OF NATURAL GAS WELLS IN THE INDIAN TERRITORY IN THE OFFICE OF THE SECRETARY, MAY 24, 1906.

The SECRETARY. Mr. Snyder, you have very kindly offered to answer some questions I want to ask you with reference to this statement which you, at my request, have furnished me in connection with your application to acquire the right to introduce natural gas into St. Louis from the Territorial field, as well as into other cities where you may find it profitable to do so. I want to say, in the first place, *that I am decidedly in favor of utilizing this natural gas*, which would go to waste if not captured and taken into those cities for domestic and manufacturing purposes. So to that extent we are in entire accord and sympathy. But, on the other hand, as the trustee or representative in these particular cases of property owned by individuals, for the management of which the Government is responsible, of course I have to look on the other side as well and see that their interests are fully protected, and this is why you have kindly consented to let me ask you these questions.

You have referred here to the operations in the Kansas gas field of the Kansas Natural Gas Company, which is supplying various cities in Missouri and Kansas—Topeka, Lawrence, etc. Who has control of that company?

Mr. ROBERT M. SNYDER. The stock of the Kansas Natural Gas Company is held by about 200 different stockholders. The larger stockholders are: James O'Neill, Webb City, Mo.; Wilson A. Shaw, president of the national bank, Pittsburg, Pa.; John S. Sculley, a retired capitalist of Pittsburg; Robert A. Long, wholesale lumber manufacturer and dealer, Kansas City, Mo.; T. N. Barnsdall, Pittsburg, Pa.; M. M. Sweetman, Kansas City, Mo.; Robert M. Snyder, Kansas City, Mo.

The SECRETARY. You have general direction of the affairs of the company?

Mr. SNYDER. Well, there are two companies, one a Kansas corporation known as the Kansas Natural Gas Company; the other the Kansas Natural Gas and Pipe Line Company; one owning the gas wells and property in the State of Kansas and the other owning the pipe lines and property outside the State. I am president of one and vice-president of the other. I do have, to some extent, under the board of directors, the management of its affairs.

The SECRETARY. That is practically of both companies?

Mr. SNYDER. Well, yes; I divide my time, although I am not a salaried officer.

The SECRETARY. Now, as to Mr. Barnsdall, has he any directing influence or control over either of these companies?

Mr. SNYDER. He is president of the natural gas company.

The SECRETARY. You are president of the pipe line company?

Mr. SNYDER. Yes. Mr. Barnsdall is the largest natural-gas owner in the United States. He is president of one of the largest natural-gas companies in Pennsylvania.

The SECRETARY. Which one?

Mr. SNYDER. Union Natural Gas Company. It supplies about forty towns in the State of Pennsylvania.

The SECRETARY. I see in this statement, Mr. Snyder, that your

arrangement with these cities that have been referred to is to the effect that the *artificial gas companies* in these cities furnish the pipe through which the natural gas is distributed, and that they get from 35 to 40 per cent, leaving about 60 per cent for the *Kansas Natural Gas Company*.

Mr. SNYDER. That is correct.

The SECRETARY. And that on some such basis as that you propose to take this natural gas to St. Louis and distribute it?

Mr. SNYDER. That is correct, also. Up to this time, I have made no arrangement, of course, with the distributing company in St. Louis. I have, however, had two conversations with its officials, and am led to believe that an equitable arrangement along the same lines and terms as heretofore mentioned can be made with the distributing company in St. Louis.

The SECRETARY. Are you acquainted with Mr. McMillan, president of that company?

Mr. SNYDER. No, sir. Is he president?

The SECRETARY. He used to be.

Mr. SNYDER. He is not now. It is controlled in Milwaukee, now, and its president is Mr. ——.

The SECRETARY. Of course, Mr. Snyder, I do not know anything about the cost of these things, of such an enterprise, but it seems to me your figures are very large, and some of them are qualified by the use of the word "about" and "approximately" so and so. Can not we get down to a nearer figure. How do you make, for instance, 375 miles of pipe line cost \$15,000,000? That is a good round sum of money.

Mr. SNYDER. When I first commenced to finance the *Kansas Natural Gas Company* I was told that about \$4,000,000 would build the necessary pipe line. Before I got through it required an additional \$4,000,000.

The SECRETARY. Let me ask whether the original \$4,000,000 and the additional \$4,000,000 represented the actual cost of material, or did it include payments of any kind, direct or indirect, in the way of bonuses for concessions or anything other than the actual cost of material?

Mr. SNYDER. The money does not include any bonuses and was not sufficient to pay the full cost of all the material. There is in addition a floating debt carried in the banks which must be paid out of the earnings of the company. I have made my estimates of the cost of the St. Louis line, or rather had them made by my consulting engineer, based entirely on the results given by the lines of the *Kansas Natural Gas Company*, taking into consideration only the difference in sizes of pipe and cost of material.

The SECRETARY. Well, now, let's see. You say the distance from the gas field to St. Louis is 375 miles—call it 400 miles—and the cost of the pipe lines for that 375 miles is \$15,000,000. How much is that per mile? Four hundred miles costing \$15,000,000 would be, in round numbers, \$37,500 per mile.

Mr. SNYDER. Yes.

The SECRETARY. Can you tell me why it should be double the cost of building a railroad?

Mr. SNYDER. Well, every 16 or 17 feet, say an average of 17, comes one of these costly fittings for a 24-inch line, called the "coupler."

That is an intricate piece of mechanism made by one company. They get a large price for it. The 24-inch pipe of itself is very heavy.

The SECRETARY. Is that pipe sold by the ton or foot?

Mr. SNYDER. Both ways. It is an unusual size of pipe and costs proportionately very much more than the smaller sizes. There is only one mill, I believe, in the United States that can make 24-inch steel pipe.

The SECRETARY. Is it steel pipe?

Mr. SNYDER. Yes.

The SECRETARY. What firm is that?

Mr. SNYDER. The National Tube Company. It is a very costly proposition to lay that pipe and requires rather expert work to do it. It must be laid at least 3 feet below the surface of the ground, and also, if it is laid in a road, it must be laid so as not to interfere with the road in any way. If laid on a private right of way, the same thing would obtain. If it goes through a field, it must be laid so that the farmer would not strike it with his plow. Then there is the work of adjusting the couplers. The laying of such a line is quite expensive, and it must be done so carefully that there will be no leaks. The crossing of any stream is very costly. We tunnel under the stream, and if the stream is wide separate lines are laid so that in case of a break or leak the supply can be shifted to the other line. This estimate also includes right of way for the pipe line, which, however, is not very large, and while it is only approximate, it is as close as our engineer could calculate it in order to be safe in the estimate.

The SECRETARY. These other items, are there any remarks you want to make about them?

Mr. SNYDER. You may ask me any questions. In prospecting a country to locate gas pools a great many dry holes are drilled in order to outline the size of the pool. Gas lays in belts in the Indian Territory, often 2 miles in width or length, but sometimes as small as half a mile or as wide as 3 miles. It is necessary to outline as near as possible the size of the pool in order to estimate the number of cubic feet that is stored in the porous sand. The pressure of the gas once known, the thickness of the sand known, and the rapidity with which the gas comes out the area of the proven district, all considered, enables us to figure with a fair degree of accuracy the amount of gas which can be drawn therefrom, at least close enough for commercial purposes.

The SECRETARY. You have estimated here the cost of bringing in 700 wells. Are there not quite a large number of wells already in operation in the Osage territory?

Mr. SNYDER. Gas wells?

The SECRETARY. Yes.

Mr. SNYDER. I think only a few. I have made no investigation nor negotiations so far for gas in the Osage Nation. There is so much less gas in proportion in the Osage Nation that it has hardly been considered.

The SECRETARY. Your attention has been directed chiefly to the Cherokee Nation?

Mr. SNYDER. Yes.

The SECRETARY. How is it there?

Mr. SNYDER. I do not know the number of wells already brought in.

The SECRETARY. We granted, I think, some 3,000 leases; anyway a large number.

Mr. SNYDER. To the best of my ability, I would estimate that there are now around 60 to 75 wells—gas wells—in the Cherokee Nation. It would take ten times the present known quantity to prove out the St. Louis proposition.

The SECRETARY. Those wells, I understand from the first part of your statement, are about 375 miles from St. Louis.

Mr. SNYDER. Well, I took an average distance. The nearest point, I think, where there is any gas in commercial quantity would be about 345 miles. Some of the best gas wells ever discovered so far in the Cherokee Nation—two of them—are about 40 miles farther south, around Tulsa.

The SECRETARY. How about this well here near Caney?

Mr. SNYDER. That well is up right near the Kansas line, within 2 miles of it.

The SECRETARY. We have heard stated here, I think it was by Jennings Brothers or Mr. Barnsdall, my recollection is, that that well has a capacity of 20,000,000 feet. Is that correct?

Mr. SNYDER. Yes, it is even more. But that well has been almost ruined. I mean to say that a large part of the gas has blown into the air; it could not be held. The well was struck by lightning, but it could not be closed in, and burned for about seven weeks, if I recollect, and consequently, with the wide opening, it largely went into the air. That has reduced its pressure and it has been seriously injured. However, it is a good well yet.

The SECRETARY. What would you estimate its probable life?

Mr. SNYDER. Nobody can tell exactly. Ordinarily a gas well in blowing for three months wide open would blow out. I have known them to last a year, and have known them to blow out in a month. The best way to manage a well is to take a little gas out continually—keep it alive. The trouble is that salt water will run out gas, and if it is allowed to come in it gets on top and forces the gas away.

The SECRETARY. The gas is still there and will find its way to some other hole, will it not?

Mr. SNYDER. That is the supposition.

The SECRETARY. Salt water can not eat up the gas or destroy it.

Mr. SNYDER. It drowns it, so that if you drill another well near by you do not get it. That is overcome by using your well.

The SECRETARY. Don't you think \$2,600,000 is rather a large estimate for the wells, in view of what has already been developed there?

Mr. SNYDER. I made up that estimate in the following way; I figured that 700 wells, would cost \$3,000 apiece, equipped with the necessary piping, tubing, and casing and drilling; that would be \$2,100,000. I made an estimate of \$500,000 for the dry holes that would have to be encountered in drilling that number of wells, because we have to prospect in what is called "wild-cat" territory.

The SECRETARY. Why do you put in there, "Cost to buy gas rights of oil lessees?" As I understand the leases, they have the right to use that gas for operating purposes on the spot only. They have no right to sell that gas for any other purpose.

Mr. SNYDER. I do not understand that to be the case. I don't think the lease reads that way, does it?

The SECRETARY. I think it does.

Mr. SNYDER. I never heard that suggestion before. They all think they have leased the oil and gas rights.

The SECRETARY. They do not stop to think at all. Some of them were here the other day, headed by Mr. Emery, the great independent oil man, and Mr. Matson was here. *Mr. Matson had not even read his lease.* He was an individual lessee, and he was in several companies, and he actually had not read the lease, which said at the top, "*Transferable only with the consent of the Secretary of the Interior.*" They had gone and organized three different companies and brought in all their families, with the view of increasing the acreage, which was restricted to 4,800 acres. I will read you the words in the lease and you can see. They do not understand, half of those men down there, what their privileges and responsibilities are.

Mr. SNYDER. I have read the lease carefully a great many times, and have never understood that they did not lease the oil and gas rights both, nor have I understood from reading the lease that the use of gas was confined to drilling operations only.

The SECRETARY. For fuel on the spot.

Mr. SNYDER. Is that a new lease?

The SECRETARY. No; it is made under new regulations. The clause in the lease is quoted [reading from letter addressed to Governor Higgins]: "The right to use natural gas being confined under the existing contracts or leases to 'use on the premises as fuel so far as it is necessary to the prosecution of said operations.'" I have quoted that from existing leases. We are making up new leases now. I don't think they have the right to sell that gas at all for outside purposes.

Mr. SNYDER. The Indian exacted a bonus for his lease, and, although my company was one of the pioneers, we had to pay bonuses to the Indians for our leases. If your ruling was that they had no rights to the gas, except for development purposes, and we could negotiate direct, it would save that much money.

The SECRETARY. That is just the point of my contention. Why should we go to work and give these people—when the Indian furnishes the basis of the whole business—this money and deny the Indian the privilege of using his property?

Mr. SNYDER. Out of the 8 cents per thousand must be paid operating expenses, interest on the bonded debt, and royalty to the Indians.

The SECRETARY. It can not be 8 cents net.

Mr. SNYDER. It is 8 cents gross.

The SECRETARY. You say here 8 cents net.

Mr. SNYDER. I did not mean 8 cents net. Estimating the capacity of the line at 75,000,000 feet, if sold at 8 cents net, that would be \$6,000 daily. It is the total receipts, \$6,000 per day. Perhaps the word "net" ought not to have been in there. Eight cents, however, is the total amount received. It is the average. The proper word is "average" instead of "net."

The SECRETARY. How do you get at this \$105,000 annual royalty to the Indians?

Mr. SNYDER. I base it on the required number of wells. Seven hundred wells at \$150, \$2,100,000 for twenty years. This 8 cents per thousand is to pay back the expenditure of this piping system before the gas gives out. We must be sure that we have enough.

The SECRETARY. How long is the life of the natural-gas fields elsewhere?

Mr. SNYDER. About twenty to twenty-two years for the fields in Pennsylvania.

The SECRETARY. Don't they come in again?

Mr. SNYDER. No; but others are discovered which take their places. When a well is exhausted, that is the end of it; it is impossible to get anything more from it.

The SECRETARY. I happen to know that in the Pennsylvania district some manufacturing companies that I had an interest in were run by natural gas, and we were at one time very much afraid that we would lose it, but the wells came in afterwards, or other wells near by, and the field was not exhausted.

Mr. SNYDER. It depends on how badly the field is used. You could take the gas all out in a very short time. We must have enough on hand when we start to last the full time to know that we will get our money back.

The SECRETARY. Well, now, Mr. Snyder, to get at some further compensation for the Indian, why can not the distributing company with whom you make an arrangement at least make some concession that would give them something—some fraction--of those returns larger than you propose?

Mr. SNYDER. You mean why could they not accept a less percentage?

The SECRETARY. Yes; between you both. Why can not they give the owner of the property, the man who has the vested right, in other words the natural-gas owner, why should he not have a greater consideration than \$150 a year? The way I figured it out, my suggestion to Mr. Barnsdall, was on the basis of  $2\frac{1}{2}$  per cent. Two and one-half per cent on gas furnished at 20 cents is a fraction of 1 cent, and that ratio increases as you go up to 35 cents. *For instance, you take 30 cents;  $2\frac{1}{2}$  per cent on that would be seven hundred and fifty one-thousandths of 1 cent.*

Mr. SNYDER. My answer to that is that the manufacturing company is in an independent position, somewhat. They are already furnishing manufactured gas at prices ranging from 80 cents to \$1. They have long-time franchises as a rule. They will not disturb their present business nor buy natural gas unless they can be shown that equal, if not a little better, profits are offered them.

The SECRETARY. Mr. Barnsdall's statement in a letter to Governor Higgins was that his company in Kansas, by which I gathered the impression that he controlled it, that they were willing to furnish, or supposed they were willing to furnish, gas to St. Louis at 25 to 30 cents. I figured out that at 25 cents, with the view of reducing the cost to the 150,000 consumers that he spoke of in St. Louis who are now paying 80 cents per thousand for gas that only gives 60 per cent of unit heat as compared with natural gas. I told Governor Higgins that I would guarantee, on the part of the citizens of St. Louis, that the consumer would be willing to add *that fraction of 1 cent* provided the cost was reduced from 80 to 35 cents.

Mr. SNYDER. I think, Mr. Secretary, that you lose sight of several considerations in that calculation of yours. First, that the natural-gas company which undertakes the business gets only, say, 60 per cent of the receipts, amounting to 15 cents for domestic use and 6

cents for commercial; second, that the larger proportion of the gas is at the 6 cents price, being perhaps 85 per cent commercial use and 15 per cent domestic; again reducing, as I stated before, the average price received by the gas company to about *8 cents per thousand feet*. That is about what the Kansas Natural Gas Company is getting for its gas in its cities.

The SECRETARY. *Take 8 cents; even at 1 cent a thousand feet*, that would be one-eighth, and that is just exactly what the oil men are paying—12½ per cent—for the privilege of exhausting oil from these vested rights.

Mr. SNYDER. Yes; but the oil people are selling their oil at the well without any cost for pipe lines, pumping it to market, or further handling it. They have a customer in the Standard Oil which takes the oil both from the producer and the Indian at the well. The gas company gets 8 cents, delivered in a city several hundred miles away.

The SECRETARY. We are not asking 12½ per cent; we are asking 2½ per cent. *The difference to the gas Indian is 2½ per cent; the oil Indian gets 12½ per cent.*

Mr. SNYDER. What I mean to say is, when he gets his 8 cents he gets it at the end of his pipe line, which has cost a great deal of money, and has to be paid for before there is anything left for the gas company.

The SECRETARY. Is it not a fact—because I don't know, I will not say how much has been made—but is it not a fact that these gas pipe lines have been enormously productive to those who have been in them?

Mr. SNYDER. I believe the pipe lines in Pennsylvania have been good investments. I think they pay a fair per cent. This thing is pretty well instanced in the handling of coal. The royalty on coal is only a fraction of a cent on the bushel. The natural-gas business has settled itself down to a commercial basis, like any other kind of business, after all these years. It takes judicious handling and husbanding of the resources to keep from wasting gas, and all that, to make it pay. It does not pay the enormous profits we would get figured out on paper.

The SECRETARY. It has paid and made large fortunes for those engaged in it.

Mr. SNYDER. Yes; the principle thing is the risk of the gas giving out.

The SECRETARY. There are risks in all business enterprises. Nobody can guarantee what the profit will be to the farmer. He may have a series of years of very abundant crops, and then again, as in Kansas, a series of dry years that he makes nothing. So it is in any enterprise.

Mr. SNYDER. There are new gas fields coming in—being discovered in the East. I know of a pipe line being built last year. The royalties have become rather settled.

The SECRETARY. *Because inadequate prices have been paid for these properties is no reason why this should continue.* The thing to do is to make an estimate and give the property owner a fair share of the result, and my point is that the rentals for wells heretofore have not been on a fair basis, compared with the profits that have come from the operation of the wells. The Indian gas owner should get a fair price while the well exists.

Mr. SNYDER. The gas lasts longer than the oil. The gas well lasts longer in years and keeps up the full amount every year.

The SECRETARY. That branch of the subject is really a matter of speculation.

Mr. SNYDER. I have related my experience. Those wells in Kansas are 12 years old and are still paying the same amount per annum.

The SECRETARY. When the well gives out, payment on it stops.

Mr. SNYDER. So it is with the oil. The oil well will rarely last over 12 or 15 years, *while the gas well will last 20 or 25 years.*

The SECRETARY. How many tons of pipe of that size do you estimate to the mile?

Mr. SNYDER. I could not tell that offhand. I have never laid any 24-inch pipe. Twenty-four-inch pipe costs proportionately a good deal more, perhaps two and a half times as much as the 16-inch would cost. It is harder to make.

The SECRETARY. Well, Mr. Snyder, I am much obliged to you for this interview and for this paper, and I will consider it carefully and see what we can do. I feel very strongly about this charge of more than \$150 a year for a well, and when you come to bring it below 1 cent for a thousand feet it seems to me that the proposition is a very reasonable one.

Mr. SNYDER. I think, perhaps, I ought to have touched on the question, which it seems I have omitted in that paper, of measuring the gas at the well by the thousand feet. One principal objection to that is that in metering the gas at the well the high pressure under which it comes out, which would carry it through the pipe line to the market, would be lost by going through the meter.

The SECRETARY. Well, where would you propose to measure it?

Mr. SNYDER. Our company takes the receipts of the distributing companies as the output. *We do not measure it at all.* Their books are open to us for inspection. Our remuneration is based on a proportion of amount of receipts.

The SECRETARY. How do you take care of the individual gas owner?

Mr. SNYDER. His royalty?

The SECRETARY. Yes.

Mr. SNYDER. We have a fixed sum of so much per year, which he gets anyhow.

The SECRETARY. *That is the point.* I don't think it is fair when one man will contribute more than another. For instance, you take a man who has a well of a capacity of 200,000 feet a day and that well at Caney that has a capacity of 20,000,000 feet. It is not fair to that man with the gusher that he should be put on the same basis as the man whose well has only a hundredth part of the capacity of the larger one.

Mr. SNYDER. It is fair in a way, when you come to figure—

The SECRETARY. You say it is fair in a way; in what way?

Mr. SNYDER. I was going to tell you. When you come to figure that perhaps the smaller well is in the same pool of gas with the big well and would in time produce as much gas as the big well.

The SECRETARY. Yes, but that is dealing with futurities and is problematical. When you face the fact to-day that one well is outputting 100,000 or 200,000 feet against another outputting 20,000,000 it is not fair to put them on the same basis.

Mr. SNYDER. They have the same life and are in the same field—

The SECRETARY. No; they are not in the same field. They are, so far as the Cherokee wells are concerned, in the Cherokee Nation, but one of them may be 100 miles away from the other. The man in your company with \$100,000 gets more in the dividends than the man who has \$10,000, because his capital has contributed more to the benefit of the company. Where he gets \$6,000 the man with one-tenth the capital will get \$600. The larger capital has done more for the company and there should be a corresponding difference in the benefits.

Mr. SNYDER. What I mean to say is, that the smaller well, in the way all gas companies use them, will have produced as much gas in the end, during the twenty years of its life, as the big well.

The SECRETARY. I can not agree with you there.

Mr. SNYDER. My experience and observation have been that these wells are all in one pool or another. The gas pool is, say, a mile or 2 miles square. One well in that pool, right in the same gas and same sand, will produce 500,000 feet and another one 5,000,000. The reason is that in striking the gas sand you have struck it in some thin part; it will all work out finally. In the mild way in which the wells are drawn from, the smaller wells will have furnished their proportion in the end.

The SECRETARY. *Don't you really think the owner of the Caney well, contributing 20,000,000 feet a day, should get more than the man whose well only pumps 100,000 feet per day? Would he not have the right to complain?*

Mr. SNYDER. It has never been so in Kansas.

The SECRETARY. There is nobody there to protect the Indian's interests.

Mr. SNYDER. He knows that in practice the well is not drawn from heavily. He knows that perhaps 50,000 feet are taken from his well.

The SECRETARY. How much would you draw from that well with 20,000,000 feet?

Mr. SNYDER. Not more perhaps than from the well with 1,000,000 feet.

The SECRETARY. Mr. Barnsdall argued here with me that some farmers in Indiana were willing to let their wells at a low figure, in fact for almost nothing—less than \$50. They do not know how to protect themselves. These Indians do not know how to protect themselves, and I think they are entitled to more. I do not agree with you and Mr. Barnsdall and others coming here seeking these rights and privileges. I do not think we are asking an exorbitant or unusual royalty or return for this vested right, which is the basis for the whole business.

Mr. SNYDER. My judgment is that the business will stand the \$150 a year that is now the royalty price, but that it will not stand any substantial advance over that.

The SECRETARY. In connection with Mr. Barnsdall's application I took 100,000 feet at 35 cents, which was offered by Muscogee, and half of that for manufacturing purposes. That was a bona fide offer; the mayor was here at the time. Take the average of that, 26 cents; that is \$26 a day on the basis of 100,000 feet. Twenty-six dollars a day for a well of that small capacity—which would certainly last for one year—it runs up into the thousands of dollars. Taking 300 working days in the year, the margin between the receipts from that well and \$150 a year is enormous.

Mr. SNYDER. In the first place, I think the mayor could not have made the contracts at that price. It has been demonstrated that you can not get over 25 cents a thousand; for commercial purposes not over 10 cents.

The SECRETARY. That was a bona fide offer. They told me that that was what they were willing to pay.

Mr. SNYDER. Take it at those figures, which I happen to know are exorbitant. If he sold it for 300 days at \$25 a day that would be \$7,500. There is the well costing \$3,000, and the pipe line, and you can not sell natural gas at 35 cents.

The SECRETARY. I would not be surprised, Mr. Snyder, if we do make a contract on that basis with other parties in the immediate future, because they are after that line.

Mr. SNYDER. For Muscogee?

The SECRETARY. Yes.

Mr. SNYDER. I should like to have an interest with them. I should like to have the gas man's end of it, because we do not get any such exorbitant price.

The SECRETARY. Why is it so unreasonable? They have to have one of four things. They have to resort to candles, to oil, to artificial gas, or natural gas. They do not want candles. They do not want oil, for various reasons; it is expensive and disagreeable. They have natural gas at their doors and they do want that, and they certainly can afford to pay 35 cents and 17½ cents, respectively, for domestic and commercial purposes.

Mr. SNYDER. They can not pay 17½ cents for commercial purposes, because they can get coal. What is the wholesale price of coal at Muscogee?

The SECRETARY. It will run at the mouth of the pit from \$2 to \$2.50.

Mr. SNYDER. Twenty-five thousand feet of gas at 17½ cents will be \$4.37. That shows that they can not pay it.

The SECRETARY. What are the heat units? We are talking about how much natural gas it takes to furnish the heat units in a ton of coal.

Mr. SNYDER. It is not necessary to figure the heat units if my statement is true that it takes 25,000 or 26,000 feet of natural gas to furnish the same number of heat units as are furnished by a ton of coal.

The SECRETARY. That depends upon the number of units the coal will furnish. Mr. Barnsdall says that the coal used in St. Louis is the very best Pittsburg gas coal, that goes there in millions of bushels every year, and they will not use any other, and his statement is that it contains 60 per cent of heat units as compared with natural gas.

Mr. SNYDER. I think you misunderstood him to this extent, because the figures correspond. I think what he intended to say is that manufactured gas, made from coal, does not contain over 60 per cent of heat units.

The SECRETARY. Yes. We are not comparing the cost in Muscogee of manufactured gas with natural gas. Mr. Barnsdall's statement, as I recollect, was that artificial gas in St. Louis cost 80 cents a thousand and that that gas contained only 60 per cent of heat units to be found in natural gas.

Mr. SNYDER. That is correct approximately. But we do not have to calculate how much manufactured gas can be made from the coal.

It is only necessary to know the cost of a ton of coal and the cost of natural gas to take its place, and referring back to the Muscogee matter you can see, as I said, that you would have to get your gas down to between 8 and 10 cents to have it compete with coal at 2½ cents a bushel.

The SECRETARY. Well, if the people of Muscogee are willing to pay these prices, that is the proposition.

Mr. SNYDER. Well, I wonder if I can not furnish the gas down there.

The SECRETARY. Whoever gives the Indian the best terms will get it. I am very much obliged to you and will take this matter up and give it consideration.

Mr. SNYDER. I am very much obliged to you for your patience. If you will drop me a line I will be glad to come around; there may be some things you will want to ask me. I have had the matter on my mind for a long time; I do not think about much else.

The SECRETARY. You certainly seem familiar with it, and I have had a very interesting interview with you because I am very much interested with all of these mechanical and manufacturing enterprises, for I have spent a good deal of my life in such matters.

Mr. SNYDER. As I explained to you, the New York Oil and Gas Company, of which I am a component part—we are pioneers down there—among our leases was this Vanderpool lease. We have drilled, I suppose, \$100,000 worth of wells; maybe considerably more. This Vanderpool lease was a minor lease. The Indian girl only lacked about two years of being of age and our company lost sight of that fact. In looking over the leases that should be drilled within the twelve months—I make out a list and send down to my field man—and among them I said "Drill a well on this Vanderpool lease," and they went to work and drilled that well. About that time the lease was expiring and we did not know it. I have a man down there also who looks after the Indians. He discovered a well and went to see her guardian. He said, "Well, the girl is of age, you had better go and see her." He did that, and she said, "All right," and he gave her another bonus, which she required, and made a new lease. When it came to making it out she said, "I know Mr. Snyder; he has drilled all these wells north of us here; I want him to have my lease instead of the New York Oil and Gas Company." My man explained to her that I was a component part of that company, but she said, "No; I want it made to Mr. Snyder." And he made it to Mr. Snyder instead of the company. In the meantime here comes in the well. I do not want the lease; I have no right to it. It is my company's, of which I am about half owner. I want them to have this lease. Now, once having been approved and acting in good faith with that knowledge, and inasmuch as the girl is in no way prejudiced, I would like to have that go to my company. I would like to have it to go to St. Louis if I was not wronging anybody. I just wanted to make a fair statement of the case to you. I would like to have the approval of the lease. I suppose it would have been approved to me. It is not mine and I do not want to take it away from the company. I do not know just how you want to do it, but I wanted to make a frank statement about the matter, and I wish I could get a prompt approval of it, and then the permission to let my company, being the New York Oil and Gas Company, have the ownership instead of me. I suppose if it could go back to the girl she would consent to it.

The SECRETARY. I do not think that is necessary. I will look into it. I think an assignment from you would be sufficient.

Mr. SNYDER. It would require your permission.

The SECRETARY. I know.

Mr. SNYDER. If you will kindly grant that to me—

The SECRETARY. I will look into that, and am very glad you informed me about it.

HEARING CONTINUED MAY 25, 1906.

The SECRETARY. I don't want you to misunderstand what I said yesterday about Mr. Barnsdall. I think you, as a right-minded business man, will agree with me that Mr. Barnsdall has discredited himself with the Department.

Mr. SNYDER. I do not know the facts.

The SECRETARY. I will tell you the facts, and there are just three of them. The whole question of the extension of this Foster lease in the Osage country was discussed here during the last session of the last Congress, not this present Congress, when the Foster crowd were endeavoring to get the whole 1,500,000 acres extended for ten years. The lease should never have been granted. It gave a monopoly to, what proved to be later on, individuals—and followed by a corporation—who were not financially able to carry on the thing. It was not the proper thing to give to a corporation 1,500,000 acres. I opposed it for that reason, but I said this, so far as subleases are concerned, men who had gone there and put down wells that represented vested rights, I thought if any extension was granted it should be to them only, and that was the ultimate result. The Indians were thoroughly dissatisfied.

The matter was decided by extending 680,000 acres only, cutting out the rest of that lease, and these leases are in operation to-day, with the proviso, to satisfy the Indian, that the President should fix the increased royalty on this lease of 680,000 acres; that was increased from 10 to 12½ per cent. Barnsdall got some of this land; so did Guffey. They also got some Cherokee leases, our limit being 4,800 acres. That was considered a sufficient amount for any one individual or corporation—as much as they could reasonably ask. More than that would lead to combination and monopolies, and I did not want to repeat anything like what was done in the Foster lease in the Osage Nation. At the top of these Cherokee leases is stated "Transferable only with consent of the Secretary of the Interior." The oath makes him declare that he is not directly or indirectly interested in any other lease, which, with the lease presented, would make more than 4,800 acres. There are other restrictions. Notwithstanding that I think they got their full 4,800 acres, Mr. Barnsdall goes to work and organizes some company, by which of course, if he had stock in that company, he would be interested in more than 4,800 acres. I suppose that his contention would be that before the lease was taken out he did not have more than that. But it was a violation of those terms to go to work and get more, whipping the devil round the stump—I being the devil—to get more than 4,800 acres through the company.

You take these men, as a corporation they can get 4,800 acres, and each of them will go on multiplying their companies. And that is what he had done. In addition to that he organized some kind of drilling company by which they could take up these leases. We required

a deposit to show good faith, and in Pittsburg we traced the matter up and found that he had gone to Pittsburg and got his clerks, who had no money, to borrow money and came here and told us he had the capital. In addition to that, Mr. Snyder, he went to Mr. Guffey, of Guffey & Galey—all through this Osage business there was to be no speculation—and got them to make a deal by which, notwithstanding that nonassignable, nontransferable clause, they organized the Arkansas Valley Oil and Gas Company, and put their individual holdings in that company, both Osage and Cherokee, of which Guffey & Galey were the sole incorporators in order to transfer these individual holdings—I don't know why—and that company sold out to Barnsdall, notwithstanding the restrictions in the contract, and Barnsdall agreed to pay them one and a quarter million dollars for that thing which cost them practically nothing, and which was in violation of the contract.

Mr. SNYDER. Those were mostly Osage holdings.

The SECRETARY. Well, under the law they had no right to transfer. Mr. Barnsdall goes to Oklahoma and organizes the Barnsdall Oil Company, of which he is the principal and nearly sole owner—perhaps there are others—and he negotiated with somebody and came here and told us he had made negotiations for the carrying on of this property for \$8,000,000, and he declined to say who that somebody was.

Mr. SNYDER. My experience with Mr. Barnsdall has been a very pleasant one. He has always done whatever he agreed to do.

The SECRETARY. It is possible he may be able to clear it up, but as soon as we heard of this arrangement, of which we had no information or intimation, then we called upon them to make a statement, and they both admitted the transaction. They came here and could not explain it, except that Barnsdall said his lawyer told him he had a perfect right to do it. I do not know who his lawyer was, but he had a pretty bad one. I must do him the justice to say that he made the statement very fully. Then Mr. Guffey thought he would come here and practically blaze it through; that I would not say "no;" but he made a mistake. When he came here I told him that what he had to do was to undo all that he had done and if he did not his lease would be canceled. That is the situation.

Mr. SNYDER. I went to Mr. Barnsdall when I had this Kansas natural-gas project up, and at a time when it was very necessary for me to raise the money. He was very ready to put his money in that—that is the company supplying Kansas City. That is how I got acquainted with him. I have not had much to do with him since, but I have always found him very straightforward in his dealings.

The SECRETARY. Do you think, under all the circumstances and with documents to substantiate what I have said, that that was proper?

Mr. SNYDER. Well, it is hardly my place to say. I am surprised.

The SECRETARY. In this gas-line proposition he rushes off to Governor Higgins of New York—there is where the politics come in—and got Governor Higgins to write to the President.

Mr. SNYDER. I think Mr. Barnsdall should have talked a little more with me about this gas business than he has.

The SECRETARY. He came in here once or twice, at one time with his attorney—attorney at Muscogee, and he did not do as you have

done—come with a full statement, but made up his mind that the proposition I made was perfectly ridiculous and would not listen to it; he thought he would influence me, through the President, by politics. The President gave me Governor Higgins's letter to answer, which I did. Governor Higgins has not said anything more, except that he was very much interested with the full information he had received.

Mr. SNYDER. I am certainly under obligations to you for your very courteous reception and hearing.

The SECRETARY. Not at all; there is no reason why two men should not sit down and discuss a business proposition in a business way.

Mr. SNYDER. That is the only way that you can ever get together. If people want to do right I think it generally works itself out.

The SECRETARY. But if they intend to do the wrong thing, they generally fall down before they get through.

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HEARING ON THE SUBJECT OF OIL WELLS IN THE INDIAN TERRITORY,  
CONTINUED—MAY 29, 1906.

The SECRETARY. Now, gentlemen, lately I have had so many of these interviews about oil and gas that I have been having them taken down, so that both sides can understand just what we have said and done. Have you any objection to that?

Mr. E. H. JENNINGS. No; I have none.

The SECRETARY. Mr. Burke has kindly handed me your letter of the 26th, which I have read with care, and in reply to which I stated that I would be very glad, indeed, to meet you gentlemen here this afternoon at the appointed time—3 o'clock. I want to say, in the first place, that we do not differ at all, except upon certain points. We do not differ in any way whatever as to the purpose we are both after—that is, to develop the oil and gas interests of the Osage and Cherokee nations in the Indian Territory in such manner as will keep it out of the hands of combinations, monopolies, and grafters, and, I might say, speculators. I know that you gentlemen are not speculators nor grafters, and that you understand your business, and we want to help you all we can; but you are laboring under a mistake. I received a letter this morning as to what our policy is doing. I do not know the writer. The letter is dated Coffeyville, Kans.

The gentleman says he is somewhat interested in the oil business in the Indian Territory, in a small way, and that he feels it his duty to write me a brief letter on this matter. He speaks of the rapid development being made down there and the necessity for the greatest caution. He says:

I believe it has been handled by you in a very intelligent manner—in a manner that in most instances will eventually result in favor of the legitimate operator, that being particularly true in regard to the 4,800-acre limitation and the necessity of showing a satisfactory financial statement before being able to do any business in this country.

He goes on to say:

Those things alone have had a tendency to keep out the grafted, stockjobber, and illegitimate would-be operator, with which Kansas was overburdened. Some of the names mentioned in the article which I am inclosing are not such as I personally would like to see doing business in the Territory.

Mr. Cameron has been here to see me, and I have written to him most distinctly about the matter. I do not think the gentlemen have had sufficient experience, nor that they have enough capital to take hold of the business in a practical way and insure success. I am doing all I can to help them.

The purpose of the Department, as I have explained to you, with respect to this aggregation of acreage and companies is to prevent the very thing which that gentleman writes about. I have had conferences with your friend, Mr. Barnsdall, of Pittsburg. He is interested in I don't know how many thousands of acres in a roundabout way. Besides what he has as an individual, he has identified himself with certain companies, not only for oil direct, but also with percentages to some companies that are doing the drilling. That is pure speculation. It is not operating. He gives 80 per cent of the oil to the driller and keeps 20 per cent to himself, of which he has to pay 10 per cent royalty, leaving a clean net profit of 10 per cent.

Mr. RICHARD M. JENNINGS. That is what they call a drilling contract.

The SECRETARY. I think now you will understand what we are trying to do.

Mr. E. H. JENNINGS. Yes, I understand what you are trying to do. I am afraid it is going to hurt the rest of us.

The SECRETARY. In what way?

Mr. E. H. JENNINGS. I don't believe we can get any one to go out there and compete with them.

The SECRETARY. Why not?

Mr. E. H. JENNINGS. They have to have land and production to start with. If they want an unlimited amount—

The SECRETARY. We have no end of evidence that 4,800 acres is sufficient.

Mr. E. H. JENNINGS. To build a line to the Gulf of Mexico would cost in the neighborhood of eight millions of dollars—to go into it right. To go into St. Louis it would take in the neighborhood of five millions of dollars.

The SECRETARY. Your figures are very much less than those others have given me. I have had an interview with Mr. Snyder, of Kansas City—there are ten or twelve pages of it—in which we went into all the details, because of a letter written by Mr. Barnsdall to Governor Higgins, of New York, in regard to which the governor wrote to the President. Have you heard anything about it?

Mr. E. H. JENNINGS. No, sir.

The SECRETARY. He told the President that I was personally prejudiced against Mr. Barnsdall and Mr. Guffey, and, practically, that I knew nothing about my business. I paid no attention to that, because I knew better. I have been censured in every direction in my effort to put this thing on the right basis. There are ten or twelve pages of this interview with Mr. Snyder. We went over the whole thing, and I do not agree with him about the pipe line.

Mr. E. H. JENNINGS. The first time I met you, about the 1st of March, there was a committee on from the West to meet the Pure Oil Company in Philadelphia. They had raised in the neighborhood of a million dollars.

The SECRETARY. Is that company the one Mr. Emery is connected with?

Mr. E. H. JENNINGS. He is a stockholder.

The SECRETARY. Is that the line that runs from West Virginia?

Mr. E. H. JENNINGS. Yes, sir.

The SECRETARY. I have a letter from Mr. Emery since the interview with him. He was here with six other gentlemen representing three different corporations—the Matson Oil Company, the Western Oil Company, and the Devonian Oil Company—and we went over the whole question. Mr. Matson admitted to me that he really had not read the leases that he had. He did not know that at the very top of each lease was the statement, in substance, "This lease is not transferable or assignable without the approval of the Secretary of the Interior," and in the body of the lease was the same thing. Mr. Emery stated that they were brought in here entirely under a mistaken impression. We did not charge them with any intentional wrong, but they really did not know what they were talking about.

Mr. E. H. JENNINGS. They brought Emery here?

The SECRETARY. Yes. Do you gentlemen wish to discuss your holdings in the company in this interview, or do you want to go into the pipe-line business?

Mr. E. H. JENNINGS. We want our leases approved, Mr. Secretary.

The SECRETARY. It is not necessary for either you or your brother to give up those leases you are talking about. That is not necessary. The process is very simple. Divide that among yourselves, so long as you do not increase the acreage to more than 4,800 acres each. Dissolve your company. I know that you feel that you should not divide up a family interest, but if we made an exception in one case we would have it to do in all of them. We are making an effort to break up these efforts to exceed the limit of individual holdings. If you would know why I say so, there is a report of our inspector of an examination into the way Mr. Barnsdall has been doing. Here are 23 pages of an elaborate report in which he goes into all these things, including the admissions of Mr. Barnsdall at Pittsburg, taken under oath.

Mr. E. H. JENNINGS. Don't you think it business to open the door down there?

The SECRETARY. No, I do not. You see, if we would open that door we would have another Barnsdall or another Standard Oil. I do not mean that you would be on the same basis as to purpose, but that would be the natural result.

Mr. E. H. JENNINGS. Here is what is the trouble. If you don't get another pipe line in there, there will be no money made for anybody.

The SECRETARY. I maintain that you can get another pipe line. There are three parties trying to get this line into Muscogee.

Mr. R. M. JENNINGS. That is gas.

The SECRETARY. Suppose they should spend five millions of dollars in putting a line into the Indian Territory from St. Louis?

Mr. E. H. JENNINGS. You are speaking of gas. We are in the oil business. Suppose we made an investment of \$5,000,000 without any acreage or production back of it. What would be the first move of the Standard Oil?

The SECRETARY. You will find lots of people that do not want to be under the Standard Oil yoke and will come to your pipe line just as soon as it is built. Then you will accomplish what you say was accomplished in Pennsylvania and other Eastern States. *Emery won that fight, and that fact shows that it can be done and that others will be encouraged by your success.*

Mr. E. H. JENNINGS. In the first place the Standard Oil has accumulated all this cheap oil. The first thing they would do, the first move they would make, without this line being secured by production and acreage, would be a reduction of the market price.

The SECRETARY. If we should open up that door, you would find that the Standard Oil would go so far ahead of all of you in buying up those leases that you would not be known.

Mr. E. H. JENNINGS. We have always managed to be in it up to this time.

The SECRETARY. And I hope you will keep in it.

Mr. E. H. JENNINGS. We have nothing to secure it.

The SECRETARY. Have you tested the people out there? They are all crying for some independent line.

Mr. E. H. JENNINGS. We have had that same experience, where people, having come in with us and backed us up, sold right out to the Standard Oil Company when competition arose, and we had to run the line somewhere else for more oil. It kept us in hot water all the time until we got to buying production ourselves.

The SECRETARY. If we should open the door to you, gentlemen, we would have to open to all the lease holders down there now.

Mr. E. H. JENNINGS. In the Cherokee Nation there is no money at 52 cents a barrel.

The SECRETARY. I don't know the details.

Mr. E. H. JENNINGS. I do, exactly. We have drilled 125 wells in the Cherokee Nation and we know we are making no money, taking the average wells.

The SECRETARY. You will lose more if you undertake to get a larger acreage?

Mr. E. H. JENNINGS. What we are figuring for is to get a larger acreage and more production, and get our friends interested in that line.

The SECRETARY. What would you call a larger acreage?

Mr. E. H. JENNINGS. Oh, for an investment like that *at least 100,000 acres*.

The SECRETARY. That we can not give to anybody. That is out of the question.

Mr. E. H. JENNINGS. The Indian would be greatly benefited, Mr. Secretary.

The SECRETARY. No, he would not.

Mr. E. H. JENNINGS. He would be getting \$1 for that oil instead of 52 cents.

The SECRETARY. We want it so that the small operator can get in there as well as the big operator. An independent pipe line would put the price up to begin with against the Standard Oil Company, who are in there now trying in every conceivable way to keep out competition.

Mr. R. M. JENNINGS. The Standard is the only buyer. They are getting all the oil they can handle.

The SECRETARY. Capital is abundant in this country. The Standard Oil is not what it used to be, just now. Mr. Snyder tells me there is no difficulty in the world of getting fifteen or twenty millions of dollars with which to build a gas line.

Mr. E. H. JENNINGS. We have only had about 3,000 acres of our

leases approved in the Cherokee Nation, and we have drilled 125 wells. I think the Department is holding about 4,500 acres back that we would like very much to have approved.

The SECRETARY. They can be approved.

Mr. E. H. JENNINGS. Do I understand you to mean that the firm of Jennings Brothers—three of us—that we can hold but 4,800 acres?

The SECRETARY. Each of you.

Mr. E. H. JENNINGS. As a firm we are all interested together.

The SECRETARY. The moment you attempt that we have to throw down everything. Just read that paper and see what Mr. Barnsdall has done and others are trying to do.

Mr. E. H. JENNINGS. I know what they have done; we do not desire to do anything of that kind.

The SECRETARY. A man takes 4,800 acres to-morrow, and will go out and form a corporation of six men, each of them taking one-sixth. Each of them will go out day after to-morrow and form another corporation and take 4,800 acres more. He can get that up to ten thousand acres, and that is what we want to avoid.

Mr. JAMES F. BURKE. There is one little provision there: "No transfer shall be made without the approval of the Department." I just merely suggest this to see if this would be a possible way out of it. Suppose the three had their allotments as individuals. Each had 4,000 acres taken properly and in strict compliance with the rules, and subsequent to that you knowing the relationship that exists between them as an old firm, could not you approve the mutual transfer to each other after the leases had been made and they applied to you for transfer of an interest to each other, provided the aggregate did not go above the amount they would be entitled to?

The SECRETARY. That is a corporation. I respect the sentiment most thoroughly, but is it not after all a matter of sentiment?

Mr. BURKE. No; in this way: They have, say, 10,000 acres between them and they are bound to divide them up. One takes 5,000 and the others the balance. On the 5,000 acres there may be dry holes and the others produce 5,000 barrels a day. It destroys the harmony of purpose characterizing a legitimate institution. I think they would comply with the letter and spirit of your regulations in taking out and accepting these leases; that they could make these transfers, subject to your approval, you knowing where they were going to and that they were being made for the mutual benefit of these three alone. If they extended beyond that you could refuse to ratify or approve them.

The SECRETARY. Then that would be violating our own rules and regulations, which must apply to everybody.

Mr. BURKE. I think that is optional with you.

The SECRETARY. We can not do that sort of thing. We have got up these new regulations, and to turn around and do that would be just as irregular on our part as it would be irregular for him to sign that lease when he was interested in some other corporation.

Mr. BURKE. You could carry out that 4,800-acre scheme because you have not given E. H. nor R. M. more than 4,800 acres.

The SECRETARY. In either case it must not exceed 4,800 acres. They have the right to go up to 4,800 acres, either as a corporation or as individuals. And we require in these leases that anybody who gets

a lease shall show that he has sufficient money, and the purpose of that is to see that they have sufficient funds to carry on the work themselves and not to let it out to these drilling companies, or to do what Barnsdall did—go to two banks in Pittsburg and send his clerk in there, and then come here and make the statement that he is worth \$20,000.

Mr. E. H. JENNINGS. He got the money on the lease?

The SECRETARY. Yes; and paid the money back to the bank as soon as he got the lease, and practically there was no money there at all.

Mr. E. H. JENNINGS. Suppose I leased 4,800 acres in my name and only 800 proved oil territory?

The SECRETARY. You can give up the balance and renew your lease until you get 4,800 acres. You are entitled to keep that filled up all the time, so that you may always have 4,800 acres, if you just sign the lease and comply with the regulations. One change in the lease you may object to—in regard to drilling a hole within a year.

Mr. R. M. JENNINGS. *That clause is all right.*

The SECRETARY. They have no right to tie up the Indians' property at all.

Mr. E. H. JENNINGS. I think the clause is all right. In West Virginia and Pennsylvania, where the market is about three times as high, based on the prices of oil—it is \$1.80 in Pennsylvania, Virginia, and Ohio—I claim that that is where that \$1 per acre will keep anyone from grabbing up the whole business. I can go to Ohio and Pennsylvania to-morrow and get oil territory. That \$1 per acre puts a damper on everything. If you throw the Indian Territory open, that \$1 an acre will hold them.

The SECRETARY. I can not agree with you on that.

Mr. E. H. JENNINGS. Maybe you will see it some time. That \$1 would keep people from gobbling up that whole business. Suppose Jennings Brothers had \$250,000; they would not want to do that. Neither would the Standard Oil Company. The Standard Oil Company are in there and have all this cheap oil, and to get competition in there you have to open up a little. If you get competition in there it will help the producer and the Indian.

The SECRETARY. We have helped the producer. We have run over 9,000 leases now.

Mr. E. H. JENNINGS. There are few of them making anything.

The SECRETARY. We are not responsible for that.

Mr. E. H. JENNINGS. I know; but I believe you can help them.

The SECRETARY. Many people come here, especially those engaged in these leases, and think that the Department is bound to guarantee them a profit.

Mr. E. H. JENNINGS. We do not think that. We will attend to that if you will give us a chance.

The SECRETARY. Well, you have a chance.

Mr. E. H. JENNINGS. The Standard Oil Company has in tankage there 25,000,000 barrels of oil.

The SECRETARY. That is what we are trying to prevent, and if we had begun earlier we would have succeeded better than we have. We are trying to prevent the exclusion of these other lines, which would give them a bigger chance.

Mr. E. H. JENNINGS. They have it all now. They have the whole field. They are the only people taking the oil.

The SECRETARY. Get your pipe line in.

Mr. E. H. JENNINGS. Give us some show.

The SECRETARY. I say there is a show. You have not canvassed that to find out, have you? Have you gone around to these people and said "if we build a pipe line, will you give us your oil?"

Mr. E. H. JENNINGS. We have—*some of them*.

The SECRETARY. *To what extent?*

Mr. E. H. JENNINGS. They promised production, but when it comes to get that production the Standard Oil will be around there and buy them up. If you would allow us to secure ourselves with production and acreage, we would not care if the Standard did buy out those small fellows.

The SECRETARY. We can not allow you 100,000 acres without doing the same thing for everybody else.

Mr. E. H. JENNINGS. Don't you have to use a little discretion?

The SECRETARY. We are using discretion.

Mr. E. H. JENNINGS. But would not that be a grand thing?

The SECRETARY. No, sir. I do not agree with you at all. It would lead up to combinations that we are trying to stop.

Mr. R. M. JENNINGS. He means, *Would it not be a grand thing to have another pipe line there?*

The SECRETARY. *Yes, it would, undoubtedly.* I do not understand that you have tried to get it. You are afraid to do it. *You have not tried it yet.*

Mr. E. H. JENNINGS. We have not tried it there.

The SECRETARY. Well, try it there.

Mr. E. H. JENNINGS. *We have worked it out here.* We have spent about \$3,000,000 in order to back ourselves up against the Standard Oil Company. We can not put our money in production in the Indian Territory because the regulations of the Department prevent it.

The SECRETARY. You make your contracts with the people who have the right.

Mr. E. H. JENNINGS. Suppose we were to go into that field, would you approve of the sale of the wells?

The SECRETARY. Assignment of contracts?

Mr. E. H. JENNINGS. Yes.

The SECRETARY. No, sir.

Mr. BURKE. Would you approve of the absolute *sale of their production?*

The SECRETARY. *Undoubtedly we would do that, but we can not make a man sell his property.*

Mr. BURKE. You would approve of the sale?

The SECRETARY. Yes. What reason would we have to object to any man selling you his oil. *We would be only too glad to do it. We are distinctly in favor of this pipe line.* All this agitation is hurrying it on. This gas matter started only a couple of months ago, that is to say, it became known when we began to develop and make known what is going on. There are three different companies now trying to get into it. The city of Muscogee has given a municipal charter to parties down there who are going to pipe that gas a distance of 60 or 70 miles. I got this letter from Mr. Emery. They have taken the pipe line matter up, and Barnsdall wants it.

Mr. E. H. JENNINGS. Gas is different. They have to find a market abroad for oil. This oil business is a different proposition. Sixty per cent of the oil goes abroad, export oil, second quality.

The SECRETARY. Where are you shipping—the Pure Oil Company?  
Mr. E. H. JENNINGS. To Hamburg.

The SECRETARY. What pipe line? Is it the same as the Independent Oil Company?

Mr. E. H. JENNINGS. Yes; we are managing this company—Jennings Brothers. It is the only independent company in the field. Mr. Emery was one of the first promoters—one of the first to originate it.

The SECRETARY. Yes; he said so.

Mr. E. H. JENNINGS. We are pumping that oil from central Ohio to Marcus Hook and taking it to Hamburg and Rotterdam and around to those other ports. There is where most of our oil is going. We are pumping it from West Virginia, Ohio, and Pennsylvania, and some in New York State. As I wrote you in that letter, we had a 50-cent market at one time, with only one man in the field. We had the chance here to go in and accumulate all the production and acreage we pleased if we had the money. We are limited out there.

The SECRETARY. We can not furnish the money.

Mr. E. H. JENNINGS. We will furnish the money.

The SECRETARY. You have not yet really satisfied yourselves that you can not get oil if you had a pipe line, *because you have not said yet that you have made a real business effort in that direction.*

Mr. E. H. JENNINGS. Well, when the committee came on from the West, in the last part of February, they met the Pure Oil Company in Philadelphia, and claimed they had a million dollars and some production signed up, and the directors thought it advisable that the Pure Oil Company should get hold of this quietly before the Standard Oil Company got on—buy up some production and get hold of some territory before the Standard knew anything about it. They were to come back in June. The committee wrote about ten days ago and wanted to know if they should come on, and they were informed that it was uncertain, and that they had better not come.

The SECRETARY. *It seems to me that the leaseholders out there, who are getting only 10 per cent of the value of the oil, would be very backward in making a deal with parties who, by building this pipe line, would enable them to get a dollar out of a barrel instead of 52 cents. It strikes me that way.*

Mr. BURKE. One question Mr. Jennings asked: If they were to lay a pipe line and I were in there a leaseholder and they made a contract with me by which I agreed to sell all my oil to them at a given price for the next five years in order to justify building a pipe line, there would be no objection to ratifying a contract of that kind, would there?

The SECRETARY. We would be glad to *give any encouragement we could.* We have no right to step in and force that man to give his oil to the new pipe line. We have nothing to say about that at all.

Mr. E. H. JENNINGS. Here is the drawback to the whole thing: Suppose I have 4,800 acres; am a large holder of stock in the Pure Oil Company. I can not join in taking any acreage with the Pure Oil Company, can I? I am a large stockholder in the Pure Oil Company. That would run me above my quota.

The SECRETARY. That is true. I thought that the Pure Oil Company was principally engaged in the distribution of oil through pipe lines.

Mr. E. H. JENNINGS. Suppose the pipe-line company leased 4,800

acres. I am a large stockholder in that company and have 4,800 acres in my own name.

The SECRETARY. You would stop right there.

Mr. E. H. JENNINGS. I could not make oath very well that I was not interested, directly or indirectly, in other lands. Suppose the Pure Oil Company went in there to lease lands.

The SECRETARY. That is just exactly what we are trying to tell you about. Any one company or individual can get 4,800 acres. There it is in a nutshell.

Mr. E. H. JENNINGS. Can an individual who is a stockholder in a company get, on his own account, 4,800 acres?

The SECRETARY. No.

Mr. BURKE. I see how it could accumulate.

The SECRETARY. That is exactly what Mr. Barnsdall was doing and what we are trying to prevent.

Mr. E. H. JENNINGS. How could the pipe line make any leases?

The SECRETARY. *You can make leases to buy oil.*

Mr. E. H. JENNINGS. Suppose a man was found who wanted to sell his lease, production, and well right out?

The SECRETARY. If the prospective buyer had 4,800 acres he could not buy the man out. He could buy the oil that the producer brings out of the ground, *and my point is that you would find enough of those people to welcome any pipe line that would go in there and raise the price of oil from 52 cents to \$1.*

Mr. E. H. JENNINGS. We started west two years ago with the intention to keep on gradually growing until we might have our own pipe line, but you have cut us off there.

The SECRETARY. I do not agree with you.

Mr. E. H. JENNINGS. We have accumulated 350,000 barrels oil tankage, and two-thirds of that is full. We thought that would be the beginning of a pipe-line plant in that field and that later on we would start through from there. We can not get production and acreage to back up this enterprise.

The SECRETARY. *My point is that you have not proven that to me, because you have not tried it. After you have tried it, it will be time enough to say so.*

Mr. E. H. JENNINGS. *There is nothing that will run quicker than capital.*

The SECRETARY. *It is not fair to say you can not do a thing, at least until you have made an effort to do it. Now, you have not seen a dozen people about that, have you?*

Mr. E. H. JENNINGS. Yes.

The SECRETARY. Well, how many?

Mr. E. H. JENNINGS. I should say a dozen, anyhow.

The SECRETARY. *I believe if you will go at this thing in earnest and quietly canvass the situation there, you will get an abundance of oil to carry out and run profitably an additional pipe line.*

Mr. E. H. JENNINGS. Suppose we fail?

The SECRETARY. Then it will be time enough for you to come back here and tell me.

Mr. BURKE. Now, while you are here, what about the leases? You have 3,000 acres approved.

Mr. E. H. JENNINGS. We have given up a good many lands that are

no good. We have about 7,500 acres; R. M. Jennings, 4,500, and about 3,000 in my name.

The SECRETARY. All you have to do is to divide that up so that neither one will exceed 4,800 acres. We do not care how that is done.

Mr. BURKE. They are on file in the Department. They want to make this transfer to each other. They want to give up some leases.

Mr. E. H. JENNINGS. We thought that on account of this matter you were holding up some of our leases.

The SECRETARY. I do not know whether it was explained to you, but Mr. Matson and those here with him went away stating they were perfectly satisfied, and that they expected to divide up their interests so that it would be an individual interest and abandon the company. That is what I understood, so that the requirements of the regulations could be met.

Mr. BURKE. In other words, this Penn Oil Company could make a transfer of that 40 acres to one of you three.

The SECRETARY. Yes.

Mr. BURKE. Then you take the balance and divide it up as you see fit. These forms are very rigid, very drastic.

The SECRETARY. Which one—the new one?

Mr. BURKE. Yes. Any paper they would execute with reference to the transfer of those leases to each other. E. H. Jennings has to transfer some to R. M. Jennings, and vice versa. J. G. Jennings comes in. The three brothers have always been doing business together. I don't suppose you care whether it is exactly the same number of leases.

The SECRETARY. No, no.

Mr. BURKE. Each to hold not to exceed 4,800 acres?

The SECRETARY. Yes.

Mr. BURKE. While I understand there is a technical violation of every one of those leases—

The SECRETARY. I know it was technical.

Mr. E. H. JENNINGS. Another thing. The leases I originally took in my name I allowed to be operated through the Kanawha Oil Company, organized in 1889. We own nearly all of the stock and for convenience operated that through the Kanawha Oil Company. E. H. Jennings and brothers are owners of nearly all the stock and are operating those leases in that manner.

The SECRETARY. Divide them up.

Mr. E. H. JENNINGS. Those leases the Kanawha Oil Company are operating are still in my name. I have title to the property. I am simply operating and doing the drilling through this company. The leases were never assigned. We direct and run the property. R. M. Jennings is president of the company and I am treasurer. We own 1,350 shares out of 1,500.

The SECRETARY. Why can not you divide that up and get rid of the appearance of a corporation?

Mr. E. H. JENNINGS. We can.

The SECRETARY. *That is what we want you to do.*

Mr. E. H. JENNINGS. Mr. Kelsey wrote me a letter asking how the Kanawha Company got interested in those leases, and I explained it to him just as I have explained it to you. I told him that title was still in my name and that we were operating that way for convenience, drilling the wells and putting in the pipes.

MR. BURKE. That is done by the company as your servant?

Mr. E. H. JENNINGS. Yes.

The SECRETARY. The only question about that is that it is another step in the direction of what I spoke about a while ago, of having a corporation running it on an 80 per cent basis. Others are trying to do that—in other words, not doing a thing themselves; and I think you will find in the new regulations something about that. That is why we have to appear to be very dictatorial and harsh. People go in there and apply for leases and send on applications and bonds and statements about finances, and do not wait to get leases approved. Those cases will be stopped as soon as we find out anything about them. We have to do business on right lines and be consistent, or we will quit altogether. They will say others are boring all around us. The contract is not completed until they have the lease. We have found out in some cases where they ought not to have the leases at all. They will all be overhauled and stopped in justice to those who are complying with the contract and regulations.

Mr. BURKE. I see those transfers do not have to be made of record.

Mr. E. H. JENNINGS. All we have to do is change our books. So far as the Department is concerned the leases are known to be held by Edward H. Jennings. There will be no change here. There will be no change in our own leases.

Mr. BURKE. You have not more than 4,800 in your own name.

Mr. E. H. JENNINGS. R. M. Jennings has 4,500. J. G. Jennings has none.

The SECRETARY. We have nothing to do with the proceeds. You can buy diamond pins or race horses, or do anything you want to with it.

Mr. E. H. JENNINGS. After I have 4,800 acres of oil territory I am through.

The SECRETARY. Yes; except drilling the holes.

Mr. BURKE. And building a pipe line.

The SECRETARY. Yes; he can build a pipe line.

Mr. E. H. JENNINGS. I can not be interested in any other company that has leases.

The SECRETARY. That is true.

Mr. BURKE (M. C.). What is the provision in the statehood measure?

The SECRETARY. I am not up on that; *you ought to know*, being an M. C.

Mr. BURKE. It has not come back from conference yet.

The SECRETARY. The oil lands in Kansas belong to the State as school lands. Parties were after those school lands; they had it all made up to go in there and select lieu lands to get those oil lands. That scheme was knocked in the head. The State will offer the lease of those school lands for sale to the highest bidder, under sealed bids, and get the revenue for the State. They have knocked that scheme sky-high.

Mr. BURKE. I would make the suggestion—I doubt if you are safe in the statement, as a general proposition, about a man disposing of his oil, after the lease is acquired, as he sees fit.

The SECRETARY. My point is that when a man pulls the oil out of the ground and turns it over to the pipe line we have nothing in God's world to do with it.

Mr. BURKE. Going back one step: After he gets it out of the ground and as to the length between the place where it reaches the surface and the place it reaches the pipe line, have you control of that?

The SECRETARY. Well, there would be some supplemental arrangement.

Mr. E. H. JENNINGS. We all agree to give Mr. Burke all the production we have for the next ten years at \$1 a barrel. Can not I go in there immediately and create a monopoly?

The SECRETARY. How can you? If you can do it in that way you may do it.

Mr. R. M. JENNINGS. He could not take care of it.

The SECRETARY. Oh, yes; he could if he had the pipe line.

Mr. R. M. JENNINGS. It would take a year to build the pipe line.

The SECRETARY. The sooner you do it the better.

Mr. E. H. JENNINGS. If you back us up, Mr. Secretary.

The SECRETARY. *We will back you up in every conceivable way with what we believe to be consistent with the policy of dealing with everybody alike.* The whole Administration is doing all it can to develop in that way. I do not want to make it appear that we are viciously opposed to the Standard Oil, *but the revelations that we are getting are simply monstrous.*

Mr. E. H. JENNINGS. They are there.

The SECRETARY. Well, the way to get rid of them is to build another pipe line.

Mr. E. H. JENNINGS. Well, if we make this attempt we will be back here to see you.

The SECRETARY. Do not sit down and wait.

Mr. E. H. JENNINGS. We will not. I believe the time will come when you will have to change some of those regulations to help the Indian and the producer.

The SECRETARY. I do not want to take your time and I have not the time myself to go into the condition of chaos, but I think you are utterly mistaken.

Mr. E. H. JENNINGS. We have been through that before in Pennsylvania and Ohio. It was all flooded with oil at one time.

The SECRETARY. You satisfy the people who have present contracts or leases that if they will help you in making money through a pipe line you will double the money they now make with oil at 52 cents a barrel.

Mr. E. H. JENNINGS. We have to equalize conditions in order to compete against the Standard.

The SECRETARY. You have to make a start.

Mr. E. H. JENNINGS. We are not in a position to compete unless we can prepare to-day—before we show our hands.

The SECRETARY. When you get your pipe line in there it is a fixed fact. The Standard will recognize that fact and come and try to buy you out.

Mr. E. H. JENNINGS. They will not buy us out.

The SECRETARY. They would try it all the same.

Mr. E. H. JENNINGS. You would have no jurisdiction over a contract made by a pipe line with a leaseholder.

The SECRETARY. With a bona fide leaseholder, my statement is that *after the oil gets to the mouth of the pipe he has the right to do as he pleases with it.*

Mr. E. H. JENNINGS. Suppose a new line came along six months after we had made contracts by which the leaseholders agreed to turn over this oil for a number of years at certain prices—suppose the Standard came along and said, "We will give you 10 cents more," and break up the whole thing?

The SECRETARY. We have nothing to do with that.

Mr. E. H. JENNINGS. That is what the great bunch of them would do.

The SECRETARY. All we have to do is to see that the lessee carries out his contract.

Mr. BURKE. Suppose I came here and said, "I want to sell all my production for five years?"

The SECRETARY. We have nothing to do with that.

Mr. BURKE. Then these gentlemen can sell their production to each other and say, "I will give you all the oil I produce on No. 1 for 50 per cent of what you produce on No. 2." That would be a technical violation of the rule.

The SECRETARY. No; it would not. They would be operating those leases which they hold. The proceeds of what came out of the oil we have nothing to do with.

Mr. BURKE. I make an agreement with these men to sell all my oil for the next ten years subject to the approval of the Department. You say, "That is a fair contract; we will approve that."

The SECRETARY. In our contracts so far, and rules and regulations, there is not a word said *about selling the oil*.

Mr. E. H. JENNINGS. Well, I don't think we ought to take up your time any further. If we fail we will come back and see you.

Mr. BURKE. Suppose they do come back; how proper would it be for your Department to assume jurisdiction over the sale of any production? Suppose Mr. Jennings says, "Here are 500 contracts agreeing to give us oil, subject to your ratification?"

The SECRETARY. I don't think we have anything to do with that, except that it might influence the people out there to stand by their contracts. It would be going outside our duties and of what we are permitted to do.

Mr. BURKE. Not when they came to you voluntarily. When two people come to you with the idea of getting protection for both of them.

The SECRETARY. What rights would we have to enforce that contract?

Mr. BURKE. None; but if the party came in with a contract with the Standard next year in direct violation of this one, then you could say, "We can not approve this."

The SECRETARY. In the first place, we have no right to approve it. There is no such custom or anything else with contracts between individuals entirely outside the authority of the Department. There is no law that I know of that will give us that right or privilege. It would carry with it certain responsibilities looking to the enforcement of the conditions. There is where we have the right to require approval of these leases. The law carries with it the right, if the regulations are not complied with, to stop the lease. We have no right to step in between the owner of the lease, the producer of the oil, and the man he wants to transfer that oil to and say to whom he shall give that oil.

Mr. BURKE. Your jurisdiction is just as much over the product as over the lease.

The SECRETARY. No; it is not. It is up to a certain point, and that is at the top of the ground.

Mr. R. M. JENNINGS. What we want you to do is to think over the large investment in this pipe line and the security. I have given you the figures. We have figured this over several times—\$5,000,000 to St. Louis and \$8,000,000 to the Gulf. You want to think of that a little bit. Business men as a rule have figured out what they can do before starting.

The SECRETARY. You will get our help. You get that security and you will not need our help.

HEARING ON THE SUBJECT OF OIL WELLS IN THE INDIAN TERRITORY  
CONTINUED—JUNE 7, 1906.

The SECRETARY. Mr. Barnsdall, since you were here last I have had several interviews with different oil men—the Matsons (who were accompanied here by Mr. Emery), Jenkins Brothers, and Mr. Snyder—with reference to pipe lines, and all that passed between us has been put down in writing. If you have no objection to that, our conversation will be taken down in the same way.

Mr. T. N. BARNSDALL. Why, no; I have no objections. I just wanted to see if there was not some way out of the difficulty that I had with you; that is all. I wanted to talk it over.

The SECRETARY. As I told Mr. Guffey, the only way out of it is to retrace and undo all you have done.

Mr. BARNSDALL. Well, now, I didn't do so much, Mr. Secretary. You remember that I and Mr. Guffey were in here one time, when we were talking about the Indian Territory Illuminating Oil Company's lease. When I went out of here that company, at Pittsburg, was talking about buying that property. He told me he would get that fixed up, and he did not do so.

The SECRETARY. I have nothing to do with that. What you did and Mr. Guffey did, through two different companies, was to enter into an arrangement with each other by which the Guffey & Galey interests were transferred to your proposed company—the Oklahoma and Osage Company—directly in the face of that clause which is at the head of every lease you have, and in the body of it, "Transferable only with the consent of the Secretary of the Interior."

Mr. BARNSDALL. I know that; I did not say—

The SECRETARY. There is nothing else to say, except to undo what you have done.

Mr. BARNSDALL. It is just this way: This company gave Mr. Guffey a big price for that property, and Mr. Guffey would take it back at about half the price.

The SECRETARY. That is a matter between you and Mr. Guffey. I have nothing whatever to do with that. If Mr. Guffey wants to bargain with you, that is his affair.

Mr. BARNSDALL. It is not a question of bargain.

The SECRETARY. You may call it what you please.

Mr. BARNSDALL. Mr. Guffey should make good that title to me or give back the money to the company.

The SECRETARY. That is a matter between you and Mr. Guffey, solely.

Mr. BARNSDALL. He has not given me good title, and he said he would.

The SECRETARY. He can not possibly do that. This Department would interfere. Nobody can defy this Department, or the Administration, in such a manner.

Mr. BARNSDALL. I have no inclination to do that, Mr. Secretary.

The SECRETARY. Well, Mr. Barnsdall, how in the world could you undertake to go into that transaction in the face of that clause?

Mr. BARNSDALL. Well, I will tell you. *I never looked at one of those leases. I knew there was something of that kind and supposed he would fix it.*

The SECRETARY. You are a business man and are supposed to look more carefully into these matters before you go into such transactions.

Mr. BARNSDALL. I can assure you I had no intention of defying—

The SECRETARY. The only thing that remains to be done is to undo what you did.

Mr. BARNSDALL. Well I have a lot of drilling contracts.

The SECRETARY. Another thing; you not only acquired from Guffey and Galey the leases that had been given them, but you also entered into some arrangement with reference to these drilling contracts that was absolutely irregular.

Mr. BARNSDALL. I took the best advice I could get on that.

The SECRETARY. I don't care what advice you took; such advice was not worth a cent. The only advice you ought to have had was right at the top of that lease. Now, I don't want to say anything harsh or discourteous or that will hurt your feelings, but that drilling contract was simply a device to get around our restrictions and limitations as to acreage.

Mr. BARNSDALL. I did not take it in that way. They came to me and said it was all right, *and I took the chances.*

The SECRETARY. We do not allow any such chances here. They all have to be canceled right straight, and you might as well understand that first as last. Furthermore, you have gone into other stock companies or corporations for the purpose of acquiring a larger acreage than is allowed.

Mr. BARNSDALL. I have gone into them?

The SECRETARY. Yes; you have.

Mr. BARNSDALL. I have not gone into any stock companies.

The SECRETARY. You gave Mr. Wright, at Pittsburg, a list which clearly shows a large increase of acreage in which you are a stockholder.

Mr. BARNSDALL. I don't think they are what are called stock companies. They are drilling contracts, Mr. Secretary.

The SECRETARY. Hold on; there is something else here.

Judge SMITH (chief, Indian Territory division). In his testimony of April 17, at Washington, Mr. Barnsdall states:

A. I have an interest in the Southern Oil Company.

Q. Who are the officers of the Southern Oil Company?

A. I don't know now, but I can find out for you.

Mr. BARNSDALL. That is a drilling contract—the Southern Oil Company.

The SECRETARY. It is absolutely irregular and will not be permitted.

Mr. BARNSDALL. I knew it was no stock company. It was a drilling contract.

**The SECRETARY.** Well, you may call it what you please; it is an effort to get around the positive contract you made with us limiting your acreage to 4,800 acres. As stated before, I do not want to say anything discourteous or disagreeable, but you can not—well, we can not allow that sort of thing.

**Mr. BARNSDALL.** Well, that is what I came down for—to see what we could do.

**The SECRETARY.** Practically to undo what you have done. I am glad to see you here, because I have been waiting to hear from you and Mr. Guffey, and time is passing, and if some action is not taken without further delay we will take measures to cancel everything you have.

**Mr. BARNSDALL.** Well, all these wells I have drilled I have to give back to the other fellows?

**The SECRETARY.** They are absolutely void contracts.

**Mr. BARNSDALL.** What must I do with the wells?

**The SECRETARY.** They have to be abandoned. They have to be stopped right there. You have your acreage and when you have your limit you have all you are going to get.

**Mr. BARNSDALL.** I am in this thing and I have not hurt anybody, and I have not done just as you would have me. This has been a benefit to everybody down there. People would not go in and drill those wells, but I did. Can not I throw off some of my land and not have to give up those wells? It is very hard, Mr. Secretary. You see that I have not done anything dishonestly. I showed you my contracts and everything, didn't I?

**The SECRETARY.** We will talk frankly. You say you have not done anything dishonestly. You tried to whip the devil around the stump. We can not treat you any differently from what we treat anybody else.

**Mr. BARNSDALL.** I am entitled to 4,800 acres of land.

**The SECRETARY.** Exactly.

**Mr. BARNSDALL.** I was thinking I could throw up some (and keep some) of this, where I had the contracts. I should not lose this property. I don't believe you think that.

**The SECRETARY.** You have not acquired any property at all.

**Mr. BARNSDALL.** Well, I don't know about that; my lawyer says I have.

**The SECRETARY.** Well, if you want to defy the Government, just go ahead and do it.

**Mr. BARNSDALL.** I have not defied the Government. I want to tell you another thing: You spoke about my helping bookkeepers, etc. When I came here I told you I was helping people to get the gas right.

**The SECRETARY.** The testimony as given by you in Pittsburgh to Mr. Wright shows that you indorsed notes of clerks not financially able to raise money; and after the leases were given that money was paid back to the bank.

**Mr. BARNSDALL.** Every dollar of that money was left in the bank thirty days, and that is longer than the most of them leave it.

**The SECRETARY.** The transaction was not an honest one on the face of it.

**Mr. BARNSDALL.** It is pretty hard work to follow the whole thing. There are so many changes.

The SECRETARY. It is perfectly simple. Your application, your acceptance of the lease, which calls for certain rules and regulations set forth—application, lease, and rules and regulations are all set forth just as plainly as they can possibly be written.

Mr. BARNSDALL. I have not violated that—

The SECRETARY. You have violated them, and you have done it deliberately. The arrangement with Mr. Guffey—

Mr. BARNSDALL. Well, I was going to say *I had no business to do that. I should have come and seen you, very likely.*

The SECRETARY. You made financial representations here which were not true.

Mr. BARNSDALL. I have not made any representations.

The SECRETARY. Yes, you have—about the notes of those persons in Pittsburg; those which you indorsed.

Mr. BARNSDALL. There is only one of them.

The SECRETARY. Well, one is as good as a thousand when you come to the principle.

Mr. BARNSDALL. They left the money in there.

The SECRETARY. They have not. They took the money out.

Mr. BARNSDALL. That property has 30 wells on it now.

The SECRETARY. I don't care. You made a certain financial statement here and that statement was not borne out. You aided and abetted those people to make a statement, and it was not a true statement. That is a plain statement, but it is a fact. Not a single step has been made so far to undo it, and I told him weeks ago it had to be undone. How you are going to do it, I don't know. It simply has got to be done. When you do this, we will talk about something else.

Mr. BARNSDALL. There is nothing else to talk about. The reason I wanted to talk about it was to try to fix it.

The SECRETARY. The best way is simply to undo what you have done.

Mr. BARNSDALL. Will you tell me how? I can not undo those drilling contracts.

The SECRETARY. Those wells will not run under those contracts. Abandon them if you want to.

Mr. BARNSDALL. Do you want me to abandon them and burn up the money?

The SECRETARY. I don't know. We are not going to play fast and loose with you, and we are not going to make any exception in your case at all.

Mr. BARNSDALL. I don't want you to. Do you think I am the only one who has any drilling contracts?

The SECRETARY. We are going to stop them just as fast as we find them out. Mr. Wright has instructions to stop them just as fast as he finds them out. The first thing for you to do is to undo all that business with Mr. Guffey, and until you have done that there is no occasion to talk about anything else.

Mr. BARNSDALL. Well, all right; I will go to see Mr. Guffey, and he has got to make me good; that is all there is to it.

The SECRETARY. That is a matter between you and him entirely. I have nothing whatever to do with that. Mr. Barnsdall, there is just one thing more to say. Our patience is about exhausted and there must be no further delay.

Mr. BARNSDALL. Really, if you will tell me—do you mean to say I have to go and pull those wells out?

The SECRETARY. I mean to say, you have to undo all that you and Mr. Guffey have done. You can not come here and play that game on us.

Mr. BARNSDALL. I am not trying to.

The SECRETARY. Good-day.

Mr. BARNSDALL. Good-day.

(Mr. Barnsdall reenters). Excuse me, I am entitled to a copy of this, am I not?

The SECRETARY. I guess you are.

Mr. BARNSDALL. When can I get it?

The Secretary. I will dispose of it as I think best.

Mr. BARNSDALL. I think I would be entitled to it.

The SECRETARY. I will dispose of it. I asked you in the beginning if you had any objections.

Mr. BARNSDALL. I have none, only I just wanted to see it.

HEARING ON THE SUBJECT OF OIL LEASES, INDIAN TERRITORY, CONTINUED—JUNE 19, 1906.

Present: The Secretary; Mr. S. V. Proudfit, first assistant attorney; Judge L. R. Smith, chief, Indian Territory division; Messrs. N. V. V. Franchot, D. W. Franchot, H. A. Forman, G. A. Forman, and David Gunsburg.

The SECRETARY. Gentlemen, I am going to have taken down, as I have been in the habit of doing, a stenographic report of this interview, so there will be no misunderstanding of what we have said and done. I am going to talk to you very frankly and freely, as I hope you will to me. We want all the information and light you can throw on the subject. We have already interviewed quite a number of gentlemen interested in the Territory, among them Mr. Barnsdall, Mr. Guffey, Mr. Emery, and Jennings Brothers, and think we have gone pretty thoroughly over the whole field. I am going to ask each one to give his name, respectively, and to state whether his interest is individual or corporate.

Mr. FRANCHOT. My name is N. V. V. Franchot. I have one lease before the Department for approval—80 acres, Cherokee.

Mr. PROUDFIT. An unapproved lease?

Mr. FRANCHOT. An unapproved lease; although the negotiations with the lessor were made in January, I think. It is taken in my name. My son, who is with me, only a few years out of college, expects to operate it, and I expect, if he proves worthy and there is profit, that some day he will have one-half interest in it.

The SECRETARY. How many acres?

Mr. FRANCHOT. Eighty. I expect and hope to have more. Do you desire me to say anything about my experience?

The SECRETARY. Yes.

Mr. FRANCHOT. I have been in the oil business, practically my only business, since 1875; am the owner of considerable oil property in Pennsylvania, New York, southeastern Ohio, and a little in Indiana.

Have had interests in West Virginia and other States. Follow the oil business as my business.

Mr. FORMAN. My name is H. A. Forman. I am vice-president of the Eastern Oil Company, a corporation organized in West Virginia and doing business in the Indian Territory. The Eastern Oil Company has acquired about 4,300 acres, about 2,000 acres of which have been approved. I have no lease in my name. Have been vice-president of this company for twelve or thirteen years, and we have been producing oil about that time in different States.

The SECRETARY. Have you any individual interest or connection with anyone else in the Territory?

Mr. FORMAN. My brother, who is operating in the Territory, has taken leases in his name. We have an understanding between us that I have an interest with him.

The SECRETARY. Your brother is Mr. George A. Forman?

Mr. FORMAN. Yes, sir.

The SECRETARY. The lease was based on the application of himself and Mr. Gunsburg?

Mr. FORMAN. I would like to say, further, that my interest was acquired with my brother on account of the death of another brother I had, and I assumed his obligations, he being interested at the time with my brother who is now living; that is how I came to be associated with him. Outside of this I have no interest except as stated.

The SECRETARY. So that you really have no interest in the Territory at present?

Mr. FORMAN. Except that I am a stockholder in the Eastern Oil Company.

The SECRETARY. Which has 4,300 acres?

Mr. FORMAN. Yes, sir.

Mr. FRANCHOT. My name is D. W. Franchot. I have no interest in the Cherokee Nation other than that of a contingent interest with my father in the lease of 80 acres which he has mentioned. In the Creek Nation, I have opened negotiations acquiring 40 acres, which is in my father's name and in which I have a contingent interest. I also have a contingent interest with my father on 80 acres in Oklahoma.

The SECRETARY. Under the Foster lease?

Mr. FRANCHOT. No, sir; in Oklahoma. That is in the Osage Nation.

The SECRETARY. Yes; this is outside the Osage Nation.

Mr. FRANCHOT. Yes, sir; it is in Oklahoma. Outside of that, I have no interest either in the Cherokee or Creek Nation, directly or indirectly.

Mr. GUNSBURG. My name is David Gunsburg. I have interest in about 3,500 acres.

The SECRETARY. In your individual name?

Mr. GUNSBURG. Some in my individual name; some with Hochstetter, Gunsburg, and Hassall; some with Gunsburg and Hassall; some with Gunsburg and Forman.

The SECRETARY. You have an interest with Mr. George A. Forman in 50 acres.

Mr. GUNSBURG. Yes, sir.

The SECRETARY. Leased from Jackson K. Pearce. And you have an interest with Mr. William Hassall, from Sanders Crittenden, guardian of Mattie A. Crittenden, 75 acres; and from Sanders Crittenden,

guardian of Mandie B. Crittenden, of 50 acres; and also a lease from Catherine A. Anderson for 80 acres.

Mr. GUNSBURG. Yes, sir.

The SECRETARY. Is that all?

Mr. GUNSBURG. No, sir.

The SECRETARY. You have one with Charles Wolfe pending, for 50 acres?

Mr. GUNSBURG. Yes, sir.

The SECRETARY. And you have with S. R. Lewis, as guardian, four leases, three for 60 acres and one for 80 acres, aggregating 260 acres.

Mr. GUNSBURG. Yes, sir.

The SECRETARY. With Lucinda O. Hicks, 160; Richard C. Byrd, 60; Josie P. Kimbley, 60; Ethel M. Byrd, 110.

Mr. GUNSBURG. Yes, sir.

The SECRETARY. In other words, you have 12 approved leases covering 1,043 acres and 9 unimproved covering 700 acres, making altogether 1,743 acres.

Mr. GUNSBURG. Somewhere about there. I think I have a little more, Mr. Secretary.

Judge SMITH. That is in the Department.

The SECRETARY. You may have some more down in the Territory.

Mr. GUNSBURG. I have drilled directly and indirectly some 75 wells in the Indian Territory on different properties I am interested in.

The SECRETARY. On how many acres?

Mr. GUNSBURG. On different acreage.

The SECRETARY. How many wells have you on any one acre?

Mr. GUNSBURG. We have drilled, for instance, Mr. Forman and myself, on that 50 acres of Jackson K. Pearce's, I think we are completing our twelfth well, and so on on different leases we have drilled.

The SECRETARY. Are they all productive?

Mr. GUNSBURG. Yes, sir; I have drilled but one dry hole out of 76 wells.

The SECRETARY. How many have you on any one acre?

Mr. GUNSBURG. We usually drill one well to every five acres.

Mr. PROUDFIT. When you speak of a shallow field, how deep is that?

Mr. GUNSBURG. It is from 400 to 560 feet that we complete those wells. There is a lease in the Department taken in the name of Hochstetter and Forman. Hochstetter is my brother-in-law. I am supposed to have an interest in that lease. He did not want to put all three names in it. Mr. Forman has half and Mr. Hochstetter has half.

The SECRETARY. How many acres?

Mr. GUNSBURG. Two or three leases.

Mr. G. A. FORMAN. I have in the neighborhood of 3,200 acres. I do not know the exact amount.

The SECRETARY. Individually?

Mr. FORMAN. Yes, sir; they all stand in my name.

The SECRETARY. They must be down in the Territory office, Judge. They are not here yet, are they?

Mr. FORMAN. I have quite a number approved. Others are still at Muscogee.

The SECRETARY. Several hundred, you say?

Mr. FORMAN. About 3,200; in the neighborhood of that.

The SECRETARY. It is not in any corporation?

Mr. FORMAN. No, sir; it is in my name—George A. Forman.

The SECRETARY. Is that all you want to say?

Mr. FORMAN. *I have drilled some fifty wells.* I do not know that I have anything else to say.

The SECRETARY. How did they turn out?

Mr. FORMAN. About an average of 10 or 15 barrels apiece.

The SECRETARY. I mean are they dry wells?

Mr. FORMAN. *I drilled three or four dry ones.*

The SECRETARY. Most of them are producing wells?

Mr. FORMAN. Yes; average wells.

The SECRETARY. Now, Mr. Franchot.

Mr. N. V. V. FRANCHOT. I would like to state for us all that the reason of our being here is that the Mid-Continent Oil Producers' Association meeting at Bartlesville, about ten days ago—

The SECRETARY. June 7.

Mr. FRANCHOT. Asked Mr. Gunsburg and Mr. Franchot to invite me to come with them here and interview you in connection with the oil business, and the president and secretary of the association prepared, very hurriedly, I think, a written communication to you. I wish to state that, as individuals, we are not coming here to-day to ask you to approve any certain lease, only that we desire to talk over the whole general situation with regard to your regulations and your form of lease. We wish to say that in your recent regulations *we approve most heartily of the rearrangement of the time of the lease—extending for five years the time in which operation should begin by the payment of a specific sum for that delay.* That is practically in exact accord with the usages that have prevailed in the older oil districts. We have in the last twenty-five years, when we would go out pioneering and taking up territory, used a form of lease which would read to begin operations at a certain time, or for delay in the beginning, to pay a fixed rental; so that that regulation is practically in exact accord with the usages that have prevailed; also, we understand that the clause in the former lease, the lease of 1905, in which it required the consent of the lessor before you would consider the transfer of a lease, we believe that is in the interest of the lessee; that it avoids the necessity of going to the lessor, who may be willing or not willing; in any event, a transfer of the lease from one party to another is no detriment to the lessor. By your waiving that and changing that clause you take away from the lessor the opportunity to hold the lessee up.

The SECRETARY. *You approve that?*

Mr. FRANCHOT. *We approve that.* We also wish to say that we are not here to ask you to change your regulation so that an individual could hold more than 4,800 acres, or that a corporation shall hold more than 4,800 acres, but in the working out of it we feel that an individual or a corporation should be entitled to the full area of 4,800 acres if he desires to take it; that, because an individual owns 10 per cent, say, of the capital stock of a corporation which holds 4,800 acres, he should not be precluded from taking an acreage which would make him 4,800 acres, including his pro rata share of the holding of the company. I hope I make myself clear.

The SECRETARY. Perfectly clear; go ahead.

Mr. FRANCHOT. Then, too, if Mr. Forman, for instance, and I are operating together, not as partners—not in partnership, but in common, and we are interested jointly in 4,800 acres, he owning one-half

and I one-half, I should be charged with but my half interest holding and be free to own from say 2,400 acres up to the limit of 4,800 in my own right. From the nature of the business, it being a mining business, and a hazardous business, the practice has prevailed that a man goes out in the country and takes a lease; there are no developments within 2 miles; it is purely what we call wild-cat territory; there may be producing wells on the north of it; there may be producing wells 10 miles south; the characteristics of the sand in the well north and that 10 miles south are the same; it is in the general trend, and up to a few years ago you could find all of the oil development practically in a parallelogram about 200 miles in length and about 20 miles in width, following the general direction of northeast and southwest. A man takes up a property—farm—2 miles from any production on the north and 5 or 10 from any on the south, it is what we call a wild-cat venture. The well may cost from \$1,000 to \$5,000, perhaps \$8,000. The history of the business has shown that in different localities, on account of the varying depth and amount of iron pipe you have to use, that there are varying costs. You will take up this property and come into town, and meet men and say, "I have got this lease; I think it is a good gamble; now let us all take a fifth or a sixth or an eighth," and that is the way the pioneering is more largely done. Now, don't you see that if Mr. Forman, for instance, happens to own an eighth interest in that 200 acres taken, and he is charged up here with it as if it were a full interest, the net result might be that Mr. Forman would have, say, one sixty-fourth interest in 4,800 acres and no more. I may be wrong in construing your ruling, and I recognize that that debit and credit would have to go on in your Department to know absolutely whether a man received all he was entitled to or whether he was going beyond his quota. I recognize—

The SECRETARY. The difficulty of keeping account of it.

Mr. FRANCHOT. The difficulty of straightening that out. But I must say that if a Department of the Government undertakes certain things, they should afford the Department ample resources to fully carry it out to the least detriment to those whom it affects.

The SECRETARY. There is a limit to the extent to which the Government should go in detail, because otherwise we would have to keep an army of people here to keep accounts. We have tried to simplify this whole business as much as possible. There is a question up in connection with the Indian Bureau—dividing the money on deposit in the Treasury for the different tribes. The proposition has been agitated as to whether an account should be opened with each individual and let him do as he pleases with his money. It is a good thing in theory, but an everlasting amount of work in practice. We have tried this business, and the main rule is to accommodate and so far as we can make it just to each individual or corporation that has this privilege. Do not forget that the Government guarantees nothing. You said this oil business is a gamble. There is no question about that. You may hit and you may miss. I am glad you have found so few dry wells. It is remarkable that so few are dry. Others give as a reason for asking an extension of acreage that they have not met with equal success; that they have gotten dry wells. The Government can not guarantee any success; as a business man you know that. We are trying to develop that oil territory, not forgetting the man who has a vested

right in the property—the Indian. There are other reasons that will come up later, as we go from point to point, why our rules have been changed. They have been changed because of necessities that came up. You refer to this meeting at Bartlesville. I want to ask you if you have a copy of the resolutions?

Mr. D. W. FRANCHOT. [Hands document to the Secretary.] That is what we were directed to give to you. The resolutions are in that.

The SECRETARY. You were there, Mr. Franchot, were you?

Mr. FRANCHOT. Yes, sir.

The SECRETARY. How many representatives of the oil interests were at that meeting?

Mr. FRANCHOT. There must have been 120. It was a meeting called in a great hurry. After we received this new application, known as Form B, and new bank certificate, known as Form C, posters were put up through the oil country asking the producers to meet. They came there, and we were under the belief that we had to see you previous to the 15th if we intended to do anything. A committee was appointed, of which I was a member, to draw up this communication to you. Many of the men had to get away from that meeting on the 5 o'clock train because of the railroad facilities. We had one hour from the time we left the house to go to the hall to get a stenographer to draw that up.

The SECRETARY. So that it was not drawn up before the meeting?

Mr. FRANCHOT. No, sir.

The SECRETARY. What was drawn up in the meeting?

Mr. FRANCHOT. That is all—what you have there. There were speeches made by men not members of our association.

The SECRETARY. How many are in your association, approximately?

Mr. FRANCHOT. I think there are, in round numbers, 100 men.

The SECRETARY. What interests do they represent?

Mr. FRANCHOT. The small operators. I am a member of the association, although, strictly speaking, under your regulations I have no production. I have a contingent interest in production.

Mr. PROUDFIT. With your father?

Mr. FRANCHOT. With my father. We have no written agreement. It is nothing but a reward if I develop into an oil man.

The SECRETARY. And behave yourself and know the business?

Mr. FRANCHOT. Yes, sir; they represent the independent oil producers of the Indian Territory.

The SECRETARY. We have, I think, about three thousand leases. Are there not, Judge?

Judge SMITH. A good many more than that. I think there are filed with the agent nearly 9,000 leases.

The SECRETARY. Leases or acres?

Judge SMITH. I mean leases.

The SECRETARY. The leases represent how many acres?

Judge SMITH. I could not tell you that. I get that from the statement of the agent down there.

Mr. N. V. V. FRANCHOT. I think, Mr. Secretary, that the organization out there is made up of practically the small operators; that the larger companies, and I am not referring to the Standard Company as a producing company—

The SECRETARY. What Standard?

**Mr. FRANCHOT.** The Standard Oil Company; I am not referring to them, the men who have associated themselves together in a corporation or under corporate form, like the Devonian Oil Company, like Mr. Forman's company—the Eastern Oil Company; they were not represented there, but they belong and pay dues to the association.

**The SECRETARY.** I will be perfectly frank with you when I ask this question: What I want to know is, what this protest represents; what part of the oil interests, so far as privileges have been granted; what it really represents?

**Mr. FRANCHOT.** I believe that it represents practically all of the men who have taken leases in the Cherokee and Creek nations.

**The SECRETARY.** That is a pretty broad statement, because we have, as Judge Smith says—he has charge of this business—you have just heard him say that there are *some nine thousand leases; they represent a large acreage, and I can hardly understand or conceive that one hundred small operators is a representative body.* That is what I want to get at. It is a very serious thing after we have adopted rules and regulations authorized and directed by law, and under which leases are to be operated, and have taken every precaution to meet all interests, both large and small, under certain rules and regulations, which from our information—coming in here every day, came in to-day, came in yesterday, and coming in right along—are meeting with approval, our latest regulations of May 22. I had one or two here before you came in approving our latest regulations. In view of the pains we have taken to consult all these interests and to ascertain what their interests were, to go to work and upset an entire policy is a pretty serious thing, but if you can give us any good reasons why we should do so, we will consider them at least. I was curious to know if there were resolutions offered at this meeting why they were not acted upon. The statement in the public press, dated Bartlesville, Ind. T., June 7, is as follows:

An attempt here today, at a meeting of the Midcontinent Oil Producers' Association, to secure the passage of resolutions censuring Secretary of the Interior Hitchcock for the requirements contained in the revised oil lease regulations failed. An attempt to secure the amendment of resolutions directed to the Secretary by striking out the Secretary's name and directing the resolutions to the President also failed. The resolutions ask, in moderate terms, the modification and abrogation of certain conditions of oil leases from Indian allottees, which are held to be oppressive and unfair, and based on lack of knowledge of actual conditions in Indian Territory and the laws and customs of oil-producing States. A committee, consisting of D. Gunsburg, Douglass Franchot, and N. V. V. Franchot, was appointed to go to Washington forthwith and present the requests of the producers, together with a statement of the facts on which the requests are based. Although there were many bitter expressions against the Secretary of the Interior, it was not held to be good policy to condemn him until further efforts at adjustment of differences have been made. The resolutions ask a modification of the limitation of 4,800 acres, abrogation of the requirement for financial showing and bonds, and the appointment of a commission to investigate conditions in this field.

As to the censuring part, I do not care; that has no effect on me. I was curious to know why these two attempts failed.

**Mr. FORMAN.** There were some cooler people there and they thought it would not be right to do anything else.

**Mr. D. W. FRANCHOT.** Mr. Secretary, there was one man there who went all to pieces; we speak of him as an anarchist; we had to hold him down.

**The SECRETARY.** As to censuring me, I do not care anything about that at all; I am trying to get at the reason—to ascertain if there was

any foundation for the resolution. Were there any good reasons why the resolution did not pass, outside of any personality? I do not care about any reference to myself. Was the thing discussed in a business way, and did they reach a conclusion, and was it adopted?

Mr. FRANCHOT. It was adopted, and we were appointed to bring this information to you.

The SECRETARY. Then what does this mean when it says they failed?

Mr. FRANCHOT. That is some newspaper report.

Mr. N. V. V. FRANCHOT. My son is speaking of the resolutions which are in the communication he has handed to you. He said that the meeting was excited; that there were a number there who desired to be put on record in harsh language as to you, but the cooler heads advised no action of that kind. In other words, the regulations have affected many men and as in every body of men where there are men of different temperament some of them talked harshly, but the level-headed men of the meeting stopped any resolutions and did not allow them to be considered and moved.

The SECRETARY. I am not trying to get any reference to personality, but the real sentiment down there at that meeting—how many men were there and what the representation was, and whether their interest was sufficient to justify action at this end.

Mr. FRANCHOT. I believe that that meeting was representative of a very, very considerable interest of those interested in the Territory.

The SECRETARY. *Was no record kept of the membership present?*

Mr. D. W. FRANCHOT. *We have a roll of the membership.*

The SECRETARY. *Was no record kept of those present?*

Mr. FRANCHOT. *No, sir.*

The SECRETARY. *And you do not know the acreage represented?*

Mr. FRANCHOT. *No, sir.*

Mr. FORMAN. *Just a few representatives from each town.*

The SECRETARY. *Can either of you give the representation in acreage or dollars and cents?*

Mr. FORMAN. *That would be impossible.*

The SECRETARY. *When you ask us to change or cancel certain regulations which we have promulgated in the interest of some 9,000 lessees, it is pretty important to know how many men on the other side want us to do that thing.*

Mr. N. V. V. FRANCHOT. Their association out there was organized with an executive committee, etc. My son represents those producers living at Cleveland, Okla.; Mr. Gunsburg those living at Nowata and Alluwe, the shallow country, and others from other localities, etc.

The SECRETARY. They may be after all a very small percentage of the leases given?

Mr. FRANCHOT. Oh, yes; but I believe I am safe in saying, having been in the oil business and attended meetings of producers, that they represent the voice and sentiment of at least one-half of those interested in the Territory.

Judge SMITH. At this meeting itself?

Mr. FRANCHOT. I do not say that each man could rise and say he represented so many leases, but I believe that the voice they represented was a very, very considerable portion.

The SECRETARY. What facts do you base that opinion on?

Mr. FRANCHOT. On what these young men have told me, and the opinion of a number of men living in my home in New York who are

interested in the Territory. Perhaps, Mr. Secretary, I can say that those interested in the Territory, in the Mid-Continent oil field, are made up of men who have been in the business since its beginning and were living in New York, Bradford, Pa., Buffalo, Pittsburg, and towns covering a considerable area.

The SECRETARY. That may be true.

Mr. FRANCHOT. They have kept to the front. Wherever oil was discovered, someone from each town for instance—the Casey oil field in Illinois—they went right out there and tried to get in. When oil was found in Kansas and in the Territory, men whose homes were in the East and who had been identified with the only business they had rushed right out there. I have been in the Territory since March; I have met men, and since your regulations of May 22d have come out, there have been matters of discussion and the various opinions of the different ones have been given, and although I think you are perfectly justified in desiring to find out just what this specific meeting accounted for and on what lines it was organized and conducted, for your purposes—which are to get at the true sentiment and nothing else, that is all you want to get at.

The SECRETARY. That is the kernel of the whole thing.

Mr. FRANCHOT. And I am trying to convey to your mind that although that meeting did not gather together men from all over the United States, still I say that I am sure, and I believe I am making a conservative statement, that that meeting voiced the sentiment of at least half of those interested in those 9,000 leases asked for.

The SECRETARY. Now, Mr. Franchot, with all due respect, our correspondence and our records do not agree with your opinion. To go back in 1903, we adopted rules and regulations, paramount or foremost among which was this question of assignment or transfer. We have not had any objection to that; it has been in operation three years and we have had no protest against our rules and regulations until this very day; this is the first instance of what we would call a protest against our rules and regulations. There was a limitation as to transfer, the advisability of which has been demonstrated beyond any question. Mr. Guffey got 4,800 acres, and Mr. Barnsdall, and in the face of that notice at the top of the lease, printed in big letters, and in the body of the lease, Guffey & Galey got together, and, in violation of their promise and oath, sold out. You know this, don't you?

Mr. FRANCHOT. I have just heard about it.

The SECRETARY. They organized a company, which was wrong, the Arkansas Valley Oil and Gas Company, for the purpose of transferring illegally to Mr. Barnsdall, who organized another company to receive these assets from Messrs. Guffey & Galey, for which he paid a million and a quarter dollars, \$450,000 cash and the balance in securities or mortgages, absolutely justifying the precaution we took in embodying in the lease the provision that no transfer could be made without the approval of this Department. This is only one thing; others will come later. Mr. Barnsdall's intention was to transfer his assets, such as he might acquire in this way, to somebody else whom he would not name, some individual or corporation, for eight millions of dollars. These are the things we are trying to prevent, gentlemen, in the Territory, in the interest of general distribution of the oil property as against a monopoly or oil combination. That is why, second, that we made the limit 4,800 acres. We believe that 4,800 acres are enough

for any one man or corporation to undertake to develop; you can put down a great many wells on that acreage.

Mr. FRANCHOT. That is true, if it were all good.

The SECRETARY. The Government does not undertake to guarantee that.

Mr. FRANCHOT. That is true. We are asking in connection with the 4,800, that if a man has his quota once of 4,800 acres and determines by the drill that half of it is valueless—

The SECRETARY. What he can do then as an individual, as I told Jennings Brothers, if he finds that that 4,800 acres is nonproductive he can come back and release the nonproductive part and fill up his 4,800-acre quota. I do not think any fairer proposition could be made.

Mr. FRANCHOT. We recognize that. If a man has his quota of 4,800 and he sells to one who has not his quota, say, a thousand acres of the 4,800, should he not be entitled to that credit as well as one who surrenders back to the lessor?

The SECRETARY. I do not understand.

Mr. FRANCHOT. Provided I have 4,800 acres in the Territory which happen to prove all good; I sell to another a thousand acres of it—to one who has not his full quota of 4,800 acres. Should I not then have a credit so that I could take on the same number of acres that I sell?

The SECRETARY. That would introduce the question I spoke of a little while ago: how could we keep track of that? As a business man you know the impracticability of that. That is the principal reason why we objected to an individual having an interest which we could not keep track of at all. Another reason why we object to this individual limit with an additional interest in a corporation is this: Six men can get together and organize say the Oklahoma Oil Company—call it what name you like—each holding 600 acres; he could have 4,800 acres with the 600 on top of it and could organize a second company, and so on.

Mr. FRANCHOT. We are in accord with you on that.

The SECRETARY. As Mr. Bransdall is to-day, he is interested in 34,000 acres, and if there ever was an attempt through corporation to get around and beat the Indians, as well as the Department, his case is an illustration of it.

Mr. FRANCHOT. We agree with you in that idea, that if your regulations are 4,800 there should be no subterfuge.

The SECRETARY. If you gentlemen admit that 4,800 acres is a liberal allowance of acreage, as I understand you do—

Mr. FRANCHOT. Yes, sir.

The SECRETARY. Why should he not confine himself to that with the understanding that if any part of it proves to be nonproductive that he can surrender that and come back here and have it filled up, rather than take an interest in a corporation—chasing around, finding out where he is to-day and to-morrow. What is the gain to the man? If 4,800 acres is a liberal allowance for an individual, why should that individual be allowed to increase that by stepping into a corporation.

Mr. FRANCHOT. A man who happens to have an interest in a corporation is precluded, and his pro rata share in that corporation happens to be 500 acres, he is precluded under your regulations, as we understand them—

The SECRETARY. And as we think, for good reasons.

Mr. FRANCHOT. From going ahead and taking any more leases.

The SECRETARY. Yes.

Mr. FRANCHOT. Now, in effect, that man is shut down to 500 acres.

The SECRETARY. Not a bit; he can go and fill that up to the limit of 4,800 acres.

Mr. FRANCHOT. Taking his pro rata share in the company?

The SECRETARY. No, sir; as an individual. You think a man ought to be in a corporation if he wants to be.

Mr. FRANCHOT. As I understand the effect of your present ruling, if an individual owns 20 per cent of a corporation that has 4,800 acres, he is precluded as an individual to go and take 4,800 acres less his pro rata share of the corporation he happens to be in?

The SECRETARY. Not at all.

Judge SMITH. Yes; he is interested directly in every acre that the corporation owns, under the ruling.

The SECRETARY. How can we follow that, Mr. Franchot? A great many are not willing to give their interests or make a statement.

Mr. FRANCHOT. You would be perfectly justified in refusing to approve his lease. For instance, I come to you to-day and ask your approval of a lease; your application says that if I have an interest with a corporation I shall so state. It is perfectly just for the one who asks you to approve his lease to put down in his statement that information.

The SECRETARY. The majority would refuse to make the statement. They would call that prying into their business.

Mr. FRANCHOT. Not at all. I believe you are mistaken in that notion.

The SECRETARY. We have had some experience.

Mr. FRANCHOT. I have no doubt of it. I have had some experience in a department in New York State.

Mr. PROUDFIT. We have this situation: The desert-land act provides that 320 acres may be entered by a person or a corporation, and we found it necessary to meet this situation. Corporations were organized of two people and 320 acres entered. Then each one of the two people constituting that corporation on their own part, as individuals, entered another 320 acres, and they insisted that their right to take 320 was not affected by the fact that the corporation held an interest as its own.

The SECRETARY. This paper, as you know, was handed to me by the President just before we had our cabinet meeting, which lasted until just before 1 o'clock; so that I have really not read this paper over. I have been extremely interested in the statement you have made so far, but I must ask for a little time to consider this proposition before we reach any conclusion.

Mr. FRANCHOT. Certainly.

The SECRETARY. I do not wish to inconvenience you at all, and if this paper states the facts as you gentlemen want it, I will certainly promise you that it will have a most thorough and complete consideration, taken in connection with the mass of information that we have gotten already. I have had interviews with men who have been a long, long time in the oil business. I don't know whether you have seen this communication of Mr. Barnsdall and Mr. Guffey or not.

Mr. FRANCHOT. I should like to see it. And if there is a commission—

The SECRETARY. I am opposed to that; I do not believe in that at all. In the first place, it would lead to all sorts of complications by diversity of opinion.

Mr. FRANCHOT. Perhaps you don't understand me. I mean a commission made up of five men acquainted with the oil business, to make a thorough investigation, and then report to you.

The SECRETARY. We have already the opinions of a great many people familiar with the oil business, and in discussions with us here in this room—elaborate interviews—have reached the same conclusion we have, Mr. Emery among others; he is supposed to know something about the oil business.

Mr. FRANCHOT. Mr. Secretary, Mr. Emery has had large and long experience, and he said to me by telephone last Wednesday when I was inquiring of him what had taken place here in Washington, I having heard that he was down here, he said that he had been down here and that nothing had been accomplished.

The SECRETARY. Except this, Mr. Franchot, if you will allow me to interrupt you: Mr. Emery came down here with five or six gentlemen at the head of whom was Mr. Matson, representing the Matson Oil Company, Devonian Oil Company, and Western Oil Company; altogether representing holdings of thirty or forty thousand acres. Mr. Emery made quite a speech and others made their statements, and toward the end of the interview Mr. Emery practically said, "Well, what did you bring me here for;" entirely under a misapprehension. That is not a false statement; he came here under a misapprehension. Mr. Matson said, "You are right; we will go home and dissolve our companies and do what you say."

Mr. FRANCHOT. We are not taking the slightest exception to your 4,800-acre ruling. If you will read that communication you will see other things that jeopardize our properties after we get our 4,800 acres.

The SECRETARY. Why?

Mr. FRANCHOT. For the reason that you make in this new form of lease, after notice of ten days, forfeiture without due course of the courts.

The SECRETARY. For what reason?

Mr. FRANCHOT. For the breaking of any of the provisions of the lease.

The SECRETARY. Violation of the lease?

Mr. FRANCHOT. Violation, yes.

The SECRETARY. Is that not all right?

Mr. FRANCHOT. Yes; but should not a man have the right to present his case?

The SECRETARY. Certainly.

Mr. FRANCHOT. In court?

The SECRETARY. Certainly. If he does not come here or give us an opportunity to confer with him, then he wants to put the Department to the trouble of fighting the case in court. Assuming that the Government will not deal fairly with him, your proposition is all right, but the presumption is that the Government will deal fairly by giving him a hearing, just as I am to-day discussing this question with you gentlemen and as I have discussed it with delegation after delegation that has been here. The Government is in the habit of giving a fair hearing to those who want it and feel that they

are entitled to their rights under their contract. On the other hand, there are those who are violating their contracts. I will ask you what you would do in the case of Mr. Guffey and Mr. Barnsdall, who have deliberately violated their contract. Do you think we ought to go into court and drag it along? The President is now having a little vexation about the beef case. Nobody is more in favor of a fair hearing than I am, but at the same time there ought to be a limit.

Mr. FRANCHOT. In the history of the oil business in those States we have mentioned, the lessor and the lessee both have had their differences settled in court, if it came to that.

The SECRETARY. I do not see that the lessee, however arbitrary he might be, is stopped one moment from going into court.

Mr. PROUDFIT. The whole thing turns on the power of the Secretary to make a regulation; if his regulation is one authorized by law, the courts are not going to interfere with it, but if he exceeds his authority the courts will interfere.

The SECRETARY. This is not a legal matter; it is a matter of administration. As a matter of administration, if it is unjust or unfair or illegal administration, the party aggrieved certainly has the right to go into court.

Mr. FRANCHOT. In the application required a man waives his right to go into court.

The SECRETARY. Then if he feels that he has no right that can be protected by the court he ought not to go into the contract.

Mr. FRANCHOT. Is that not a little peculiar?

The SECRETARY. I don't think so; he has the right to go into court.

Mr. FRANCHOT. The effect of that is this: We gentlemen who have had this conversation with you, and know you, feel that we will have absolutely fair treatment. But we take a lease and desire to dispose of it subject to your rules, or we try to get somebody interested with us in the lease to furnish capital; there is your provision that if violated it can be terminated by the Secretary without recourse to the courts; and this lease is subject also to regulations now in force and those that may be hereafter put in force.

The SECRETARY. That is right by vote of a large majority of the lessees.

Mr. FRANCHOT. Now, as it strikes one outside, it leaves the lessee, we think, in a position that he hardly knows where he is.

The SECRETARY. He is in this position: He is in the oil business in the Indian Territory; sends a representative down there and finds 4,800 acres and thinks there is money in it; he is willing to take the chances or gamble in it, and he goes to the lessor and gets the lease; it is sent up here, and if it is fair to the Indian the lease is concluded. If that man takes that property and operates it in good faith there is no reason why there should be any quarrel between the lessee and the Department of the Interior. If he does not do it, it is right, in the interest of the Indian who has the vested right, that the Department should, in certain cases of an extreme nature, should they arise, cancel that lease. *You spoke a moment ago of assigning a lease. Would you think it right for us to incorporate in that lease the right to sell out to the Standard Oil Company?*

Mr. FRANCHOT. As long as your rule is that no corporation shall have more than—

The SECRETARY. *Never mind; if the lessee should have the right to sell or dispose of his lease to anybody whom he might think it to his interest to sell out to, and he found a buyer in Mr. H. H. Rogers, or the Standard Oil Company, do you think the Secretary would be justified in chopping off that lease and stopping the whole business at once?*

Mr. FRANCHOT. I can only answer that question by asking you why not?

The SECRETARY. *Because the whole country is aroused at the present moment against the combinations and monopolies.*

Mr. FRANCHOT. I think you should have stated, in asking your question, when the policy of the Department was to try to keep the holdings in smaller hands and not in large corporate hands.

The SECRETARY. That is exactly what we are trying to do, and if we gave the privilege of transfer we could not discriminate—give it to you gentlemen and withhold it from Mr. Barnsdall or Mr. Guffey.

Mr. FRANCHOT. The request in that communication there is this: That you allow us the right of transfer, sublease, or assignment to one who does not hold more than 4,800 acres. Your policy is to protect, of course, first, the Indian, and, second, to prevent these holdings getting into large corporate hands; you desire to have smaller holdings; you desire to make rules and regulations—

The SECRETARY. *That will protect the small holdings as well as the owner of the property.*

Mr. FRANCHOT. It seems to us that in your new regulations you have an impediment in the way of the oil men, especially in this new regulation applying to a lease taken in January, which has not been approved by your Department. I will illustrate, and your records will show my illustration to be a concrete one. In January my son made a contract with the lessor in which he agreed to pay \$2,080 for 80 acres. He went to the courts and complied with the details necessary; deposited the money. I was asked to make a financial showing. I made it in a general way, expecting to take other leases, and I do expect to take other leases. I thought that if I indicated a property worth \$100,000 and that I could command \$50,000 for operating that would be sufficient. I did all that. The agent at Muscogee came back and said that he desired my statement as to the amount of cash I had verified by the bank. I made that out and had it certified to by the bank officer; I had my general statement certified to by the bank officer. I supposed that lease could be approved. My son told me it would take four or five or six months. The other day I got your new form of application. Now, let me say that my arrangement with my son is this—but you know what it is.

The SECRETARY. Yes; I know.

Mr. FRANCHOT. I am trying to start him in the oil business. By the wording of your application I can not honestly subscribe to it, because you use the words "that no one is interested with me directly or indirectly," respectively, etc., and I as an honest man can not sign that application.

The SECRETARY. I want to explain the delay, and then as to the financial showing.

Mr. FRANCHOT. We do not complain of that.

The SECRETARY. You are citing that. You said that the application was made in January, intimating that from January to this time there had been unnecessary delay.

Mr. FRANCHOT. The point I want to make, Mr. Secretary, is this: That I acted in good faith; that you promulgated new regulations which I felt as an honest man I could not sign, because it was an oath which said that no one was interested directly or indirectly, respectively, etc.

Judge SMITH. Who made the application in the first instance?

Mr. FRANCHOT. I did.

The SECRETARY. *I want to say with reference to the points you suggested that any delay that occurred was because of the developments that took place in the Indian Territory under these leases, which necessitated a revision of these rules and regulations; and that brings me to the second point, which is with reference to the financial declaration. You will be surprised at a declaration made here in which \$20,000 was said to have been put up as financial status of parties asking for leases, when they afterwards admitted that the \$20,000 was taken out of the bank the very moment they got their leases. We are dealing with all sorts of people, and we have to adopt rules that will apply to everybody; otherwise we would be in trouble all the time.*

Mr. FRANCHOT. We recognize that. I was only making this illustration to convey to your mind that I do not know how to proceed now to get that lease approved in the Department, except that I ask it as a special case.

The SECRETARY. I think you would do right in swearing to that lease.

Mr. FRANCHOT. Perhaps I may be technical in this.

The SECRETARY. I think you are. We can not say what a man may do twelve months hence. Your son at present has no interest, has he? Has he paid any money?

Mr. FRANCHOT. I am going to give it to him.

The SECRETARY. Then I think you could swear to it.

Mr. FRANCHOT. Look here, Mr. Secretary (reading from application), "Do you solemnly swear that the lease presented herewith \_\_\_\_\_ is taken in good faith in \_\_\_\_\_ interest and for \_\_\_\_\_ exclusive benefit and not for speculation or transfer, or as agent for, or in the interest or for the benefit of, any other person, corporation, or association, and that no person, corporation, or association has any interest, present or prospective, directly or indirectly, therein, and that there is no understanding or agreement, expressed or implied, by which the land leased, or any interest in \_\_\_\_\_

The SECRETARY. When you get ready to give your son an interest in that property, or to give him the whole of it, there is no reason why you can not come here and ask it.

Mr. FRANCHOT. Let me continue this reading: "Or under the lease, by working or drilling, contract or otherwise, is to be used, sublet, assigned, or transferred, without the consent of the Secretary," etc. There is an unwritten agreement—a prospective agreement—between myself and my son. We are working under it to-day in lands not affected in your Department. We own a lease in Oklahoma. And, technically, the Secretary of the Interior might accuse me of perjury. How is Mr. Forman here, whose brother is interested with him—and it was detailed how he happened to become interested—how is he going to give back his interest in that lease?

The SECRETARY. *Simply come here and make application to assign it to somebody else.*

Mr. FRANCHOT. I believe that advice you are giving is hardly in keeping with the wording of the lease.

The SECRETARY. I think it is; Mr. Forman has not paid anything.

Mr. FRANCHOT. Mr. Forman has paid something for his lease.

The SECRETARY. Then he can not take the oath. Your son has not paid anything.

Mr. D. W. FRANCHOT. I have given my services.

Judge SMITH. *Take the application out in both of your names.*

Mr. N. V. V. FRANCHOT. We were referring to the Forman case for the reason that the application states that they are not interested directly or indirectly. As applied to anything in the future I would guard myself. I mean that I would perhaps fix up an arrangement between myself and son in writing. Here is the point, and I think perhaps you did not catch it: I have gone along substantially in the straight line prescribed, but I meet a new regulation. Now if you were not a reasonable man—and I have no fear—you could say "Go back to your Indian and start anew." I could not do it for this reason: Within the last two weeks a well has come in near this 80 acres which has added value. You see the embarrassment I would be in. I am reasoning now provided you would say "No, you must begin over."

The SECRETARY. I see no reason why you can not subscribe to that lease, as the situation is between yourself and son; no money or agreement, but the thought in your mind that later on you will give your son a part or the whole of it. There is no reason why you should not do that. We would say there is no reason why we should not approve it.

Mr. FRANCHOT. About the transfer of a lease. If I had a lease and desired to raise some money, and in the last thirty years I have put up as collateral a good many leases I have owned, I understand that the Department takes the position that that is a transfer—executing a mortgage as collateral.

Judge SMITH. We have not had a case of that kind.

The SECRETARY. We do not have anything to do with that, so long as you do not put it in such shape that you lose control of it.

Mr. FRANCHOT. We do not ask to be allowed to transfer unconditionally to anybody. We only ask that we be allowed to transfer to one who has not had his full quota, and we ask you to prescribe certain rules and regulations as affecting the transfer, for this reason: That if I buy a property of Mr. Forman and it requires the approval of your Department, and there are certain rules if lived up to that say in that event you will approve it, we would know with some certainty what we could expect. Now there are no prescribed rules, except that we know that you expect and will approve when it is perfectly right; but why can not you have rules governing the transfer the same as you have rules and regulations governing the leasing?

The SECRETARY. Our rules now do govern both.

Mr. FRANCHOT. Not the transfer.

Judge SMITH. The Government starts out with the expectation that the man who takes the lease takes it in good faith, and if anything comes up afterwards that makes it necessary for him to dispose of it, he makes his application to the Department. No rule could be prescribed to fit every case.

Mr. FRANCHOT. That is the point where I am going to disagree

with you in your policy. I do not disagree with your policy in desiring to have the holdings distributed or to protect the Indians, but in the policy that you are fearful that there will be speculation and that you are going to try to determine that a man is responsible and going to fulfill his contract.

The SECRETARY. The rules and regulations, so far as we view them, are based upon actual facts; not upon surmises at all. We have gone very carefully into this whole business, and, with reference to transfer and speculation, have been demonstrated beyond any question.

Mr. FRANCHOT. I said that I was going to disagree with you on that, and I was going to make my argument on this line: Of actual occurrences—things that I have done that I was obliged to do when I started in the business. For instance, I went out and took up a lease and made the contract. I went to the man with the property and asked him to carry me for a one-fourth interest in his well and he did it.

The SECRETARY. That is what Mr. Emery described as "grubstaking."

Mr. FRANCHOT. Yes. Now, that has been tried by Mr. Collins and Mr. Barnsdall and all of them. In fact, I believe three-fourths of the real oil producers in the business to-day are men who started working with the owner on royalty and had the opportunity to go to the man and get a contract.

The SECRETARY. If you will show me how we can protect one and open the door to the other, I will be glad to do it.

Mr. FRANCHOT. I believe that the history of the business demonstrates that there would be no abuse to the Indian if you would open the door to the man who has to start with his wits; and I do believe to-day that you have a rule so that the man working on a well can not profit. He has to make a financial showing. It is no trouble for me, to make a financial showing that will satisfy you; it is trouble for my son.

The SECRETARY. It is no trouble for him, with your statement.

Mr. FRANCHOT. I mean a man not situated as he is; I will take care of him.

The SECRETARY. I do not like to allude to certain individuals more than two or three times in the course of an interview, but those grub-stakers have given us more trouble than any others.

Mr. FRANCHOT. I believe you can, and you ought to have, the support of the United States Government to do it, and you have it, when you fix your policy and limit it to 4,800 acres.

The SECRETARY. What am I going to do? You have stated that that is all right. Here comes another man who knows all about it and who says, "You are altogether wrong; we ought to have 48,000 acres." What are we going to do?

Mr. FRANCHOT. *I find no fault with the 4,800 limit.* There has been no limit on what a man could take in the oil business up to this time; the small producers have not suffered.

The SECRETARY. I would like to have further conversation with you, and I have been interested. I would like exceedingly to talk to you about something else in the interest of the small producer, and that is another pipe line. I have had long talks about that with different men, and I believe Jennings Brothers are going to find capital and go ahead; that is the best way to help the small producer. *If you get that pipe line started you will get your oil down there raised from 52 cents, as*

*did Mr. Emery, to a dollar, because of the very action they took in fighting this monopoly.*

Mr. FRANCHOT. That is a large subject, Mr. Secretary, but men in the oil business have been hampered by the Standard, and have been in thraldom.

The SECRETARY. *Mr. Emery and Jennings Brothers showed me conclusively that you can get out of that thraldom.*

Mr. FRANCHOT. We could get out of it if we would take all our property and bunch it up together and get together five hundred millions.

The SECRETARY. You heard the President say that he would like for us to take this up paragraph by paragraph and go over it. I think we have gone over it pretty generally and that our conversation covers the points stated here, and will enable me to make a reply to the President, as requested. If there is anything else you would like to say, in writing or conversation, I should be very glad to hear you. It is a great big question. *We are trying to solve it in the interest of the people as against the big monopolies.*

Mr. FRANCHOT. I think the mistake has been made that there has been this number of men come here and that number of men come here, that you have spent hours and hours with the different delegations, some of them working to get relief on one point or another, and it does not seem to me that there has been any set of men come here working on the great, big, broad lines; they have been more on single lines.

The SECRETARY. They have been open in their convictions, and we have discussed them freely. As I said, Jennings Brothers came to understand the situation we are trying to overcome; two of the Jennings brothers were here; Mr. Matson, of the Devonian Oil Company and the Western Oil Company, with Mr. Emery—they were here and others have been here; Mr. Snyder, the interview with him was with reference to piping gas. We have tried to give an opportunity to all, and shall continue to do so.

Mr. FRANCHOT. The general impression of those with whom I have talked with regard to the rules and regulations, and I am getting around to the belief that if you would let nature, so to speak, take its course more—I mean the lessor out there, the Indian in the Cherokee Nation, I have noticed the few times that I have been there that he is keener on the average than the average farmer in the East. It seems so to us.

The SECRETARY. You are not as familiar with that as I am. I will tell you what I found when I was down there three or four years ago. I found \$300,000 representing 400,000 or more acres of land which parties had bought from the Indians for nothing, comparatively speaking. I sent back every check and deed and inaugurated a system of checking up in the Indian Office. When the Indian wanted to sell his land or lease it, sealed bids were arranged for. We have sold 4,000 parcels of land, and we never opened less than two sealed bids, and have had in many cases as high as twelve or thirteen bids. The average advance was 50 per cent, and in many cases 100 per cent. That shows how well the Indian will take care of himself. This very morning a representative person came in from the Indian Territory and thanked us for the way that we are trying to care for the Indian. We

deserve no credit for it; it is our duty. Now, can you give me a list of the gentlemen in this organization and the acreage they represent?

Mr. D. W. FRANCHOT. I can not do it verbally, sir.

The SECRETARY. I do not expect that.

Mr. FRANCHOT. I will have to go back there. Traveling is very difficult; will have to do it on horseback.

The SECRETARY. If you can give us the names of the members we can have a list made up by the agent down there. What I want to get at is in the interest of fair play—to see who is right; whether we are right or you are right.

Mr. H. A. FORMAN. We do not say those are resolutions of our people living in the East; that was in accord with their wishes.

The SECRETARY. It is all very well to speak of people living in the East, but we want the opinion of those living in the Territory.

Mr. G. A. FORMAN. I live in the Territory, and I know practically every producer. I think all believe in what the committee have stated there.

Mr. D. W. FRANCHOT. The morning before this meeting the men telephoned me from outlying districts saying that they were in accord with the meeting because they could not operate under those rules.

